

Product Matrix

Carrington Prime Advantage Program

Program Codes: See the Program Codes section

Version 3.4 – 10/12/21



Program Maximum LTVs			Primary Residence & Second Homes				Investment Properties			
			Full Doc		Alt Doc		Full Doc		Alt Doc	
Loan Amount	Reserves	FICO	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out	Purchase & R/T	Cash Out
≤\$1,500,000	6 Months	720+	90%	80%	90%	80%	80%	65%	80%	65%
		700	85%	75%	85%	75%	80%	65%	80%	65%
		680	80%	75%	80%	70%	80%	65%	80%	65%
		660	75%	70%	75%	70%	NA	NA	NA	NA
\$1,500,001 - \$2,000,000	9 Months	720+	85%	75%	85%	75%	75%	65%	75%	65%
		700	80%	70%	80%	70%	75%	65%	75%	65%
		680	75%	70%	75%	65%	75%	60%	75%	60%
		660	70%	65%	70%	65%	NA	NA	NA	NA
\$2,000,001 - \$3,000,000	12 Months	720+	80%	70%	80%	70%	NA	NA	NA	NA
		700	75%	65%	75%	65%	NA	NA	NA	NA
		680	70%	60%	NA	NA	NA	NA	NA	NA
		660	65%	NA	NA	NA	NA	NA	NA	NA
\$3,000,001 - \$3,500,000	12 Months	720+	75%	65%	75%	65%	NA	NA	NA	NA
		700	70%	60%	70%	60%	NA	NA	NA	NA

Program Requirements	
Mortgage History	0x30x12
Foreclosure Seasoning	48 Months
Short Sale/DIL Seasoning	48 Months
Chapter 7/11/13 BK Seasoning	48 Months
1x120 Mortgage Late	48 Months
Residual Income ⁽¹⁾	\$2,500
Maximum Cash Out	\$750,000
Standard Debt Ratio	43%
Expanded Debt Ratio	Up to 50%
Minimum Loan Amount ⁽²⁾	\$100,000
Maximum Loan Amount	\$3,500,000
<p>(1) Does not apply to Investment Properties</p> <p>(2) NY loans: Primary & Second Homes require a minimum loan size of "Conforming High Balance Loan Limit plus \$1".</p>	

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Carrington Expanded Prime Program Requirements						
50% DTI	Maximum LTV		Interest-Only	Products		
<ul style="list-style-type: none"> FICO ≥ 700 LTV ≤ 80% Primary Residence and Second Homes 	Primary Residence (Maximum 2 Units)		<ul style="list-style-type: none"> FICO ≥ 700 / LTV ≤ 80% 12 Months Reserves Not available in West Virginia and for Texas a(6) Loans Retail Loans Only: Refer to Illinois section for additional restrictions 	5/1 ARM, 7/1 ARM, 10/1 ARM and 30 Year Fixed		
	2 units = Reduce Program Maximum LTV by 5%			Interest-Only: 5/1, 7/1 and 10/1 ARM-IO Terms		
	Second Homes (1 Unit Only)			IO Period	Amort Term	Final Maturity
	Maximum LTV = 80% (Purchase & RT); 70% (Cash Out)			10 Years	20 Years	30 years
	Investment Properties			ARM Margins & Caps		
<ul style="list-style-type: none"> 2-4 Units = Reduce Program Maximum LTV by 5% 3-4 Units = Maximum 70% LTV First Time Investor = Maximum 65% LTV 		Ineligible States		5/1 ARM	Margin: 3.50	Caps: 2/2/5
Income		All loans: New Hampshire, Massachusetts and North Dakota (Correspondent loans are eligible for Massachusetts and North Dakota.)		7/1 & 10/1 ARM	Margin: 3.50	Caps: 5/2/5
Full Documentation	<ul style="list-style-type: none"> 2 Years W-2 Income or 2 Years Tax Returns 		Additional Program Requirements Reserves - Cash out proceeds permitted for reserves with ≥ 700 FICO.	Index = 1 Year LIBOR, Floor = Start Rate Amortization is based on 30 year loan term and is fully amortizing for the life of the loan. Index Lookback Period: 45 Days		
Asset Conversion	<ul style="list-style-type: none"> Purchase, Rate/Term Refinance and Cash-Out Qualify using the Full Doc LTVs shown above 			Qualifying Rate (see also Qualifying Payment Below) Fixed = Note Rate ARM/ARM-IO = Greater of Note Rate or Fully Indexed Rate rounded up to the nearest eighth percentage		
Alternative Documentation	<ul style="list-style-type: none"> 24 Months Business or Personal Bank Statements 12 Months Business or Personal Bank Statements 1 Year Documentation (W-2 or Tax Return) 					

Carrington Expanded Prime Program – Guideline Requirements

COLLATERAL

General	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.
Deferred Maintenance	<p>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.</p> <p>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.</p>
Property Repairs	All property repairs must be completed prior to closing with no exceptions. Escrow holdbacks are not permitted.

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COLLATERAL, continued

Occupancy	Primary Residence, Second Homes and Investment Properties
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-Due Diligence Product Restrictions	<p>The Appraisal Review Process requires a secondary due diligence product to support the appraised value for the transaction. To utilize the Fannie Mae Collateral Underwriter (CU) score, all of the following must be met:</p> <ul style="list-style-type: none"> • Loan amount ≤ \$1,500,000, and • CU Score ≤ 2.5 <p>The following require a Desk Review (ineligible for CU):</p> <ul style="list-style-type: none"> • Any loan where the LTV > 80%, or • CU Score > 2.5 <p>The following require a Second Full Appraisal:</p> <ul style="list-style-type: none"> • Loan amount > \$1,500,000 • HPML Property Flip Transactions • HPML New Construction Properties with one or more title transfers within 180 days of the purchase contract date or any title transfer after the purchase contract date. 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. <p>When two appraisals are required, the lower of the two values must be used to determine value.</p> <p>The following requires a Carrington Capital Management (CCM) review:</p> <ul style="list-style-type: none"> • Appraised value ≥ \$1,500,000. When two appraisals are present the lowest value is used. <p>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 AMC and 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.</p> <p>See Carrington Prime Advantage Underwriting Guidelines for full details on the available review products.</p>

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COLLATERAL, continued

Appraisal Re-Use	Re-use of an appraisal inspection report is not permitted. Appraisal inspections must be specific to the CMS loan transaction.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Condominiums	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 Carrington Prime Advantage Underwriting Guidelines for condominium specifications.
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	SFR, PUD, Townhome, Condominium, 1-2 Units (primary residence), 1-4 Units (non-owner occupied), Modular and Mixed-Use Properties.
Ineligible Property Types	Non-Warrantable Condominiums, Co-ops, Condotels, Manufactured, Unique properties, Leaseholds, Rural Properties, Log Homes, Farms or Hobby/Working Farms, Properties with active oil, gas, or mineral drilling, excavation, etc., Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, and State-approved medical marijuana producing properties.
Mixed Use Properties	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. The following special eligibility criteria must be met: <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. The appraisal requirements for mixed-use properties must: <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; • 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 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.
Rural Property Determination	Rural properties are ineligible. Properties are considered rural if: <ul style="list-style-type: none"> • The Zip Code is contained in Exhibit A of the Guidelines, or • The appraiser indicates the subject Location as Rural in the Neighborhood section of the appraisal report.

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COLLATERAL, continued

Property Flipping	Title transfers within 180 days are subject to additional requirements. See Carrington Prime Advantage Underwriting Guidelines for specifications.
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. Second homes and Investment Properties require 2 months additional reserves for each additional financed property. Additional reserves are not required when the subject property is a primary residence. See Carrington Prime Advantage Underwriting Guidelines for additional requirements.

TYPES OF FINANCING

General Refinance Requirements	<p>Rate/term refinance and cash-out refinance transactions are allowed.</p> <p>Determining Loan-to-Value</p> <p>If the subject property was purchased > 6 months and < 12 months from the application date, the current appraised value can be used to determine loan-to-value. Two full appraisals are required and the lower of the two values will determine the loan to value.</p> <p>If the property was purchased ≤ 6 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 (no minimum number of payments required).</p> <p>If owned less than 12 months but greater than 6 months, the current appraised value can be used to determine loan to value. Two full appraisals are required and the lower of the two values will determine the loan to value.</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>Maximum cash in hand is the lessor of 2% of the principal of the new loan amount or \$2000.</p> <p>Final Closing Disclosures or 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. 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>

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TYPES OF FINANCING, Continued	
Cash-out Refinance	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 was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.
Cash Out	Maximum Cash Out Amount = \$750,000 Cash out proceeds permitted for reserves with \geq 700 FICO.
All Refinances	All refinance transactions must have Net Tangible Benefit to Borrower
Construction-to-Perm	Not permitted
Texas A(6) Refinances	Permitted. Refer to Carrington Prime Advantage Program Guidelines and Texas Home Equity Section below for full details. Not permitted for Interest Only.
Secondary Financing - Payoff	Allowed
Secondary Financing - Subordination	Primary Residence = Allowed Second Homes and Investment Properties = No Subordinating Financing Allowed Maximum CLTV = Maximum LTV for the transaction (Institutional seconds only).
CREDIT	
Minimum Credit History - Primary Wage-earner Requirements	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 <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 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.
Limited Tradelines	Not permitted
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 bona fide dispute such as a police report due to fraud or theft.
Non-Traditional Credit	Not permitted

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CREDIT, continued

Qualifying FICO	The FICO of the Primary Wage Earner which will be the score used for grading and pricing. Primary wage-earner may be an occupying or non-occupying co-borrower.
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 for all borrowers.</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 must 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 Prime Advantage Underwriting 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 after Forbearance	<p>The forbearance may be resolved through one of the following two options:</p> <ol style="list-style-type: none"> 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. <p>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.</p>
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 debt must be brought current prior to closing.</p>

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CREDIT, continued

Bankruptcy	Minimum 48 months seasoning since discharged/dismissed required for all bankruptcy types.
Housing Events	Minimum 48 months seasoning since event. Includes Short Sale, Foreclosure, Deed-in-Lieu, Modification, and 120-day lates.
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>Collections and charge-off balances exceeding the amounts listed above must be paid in full under the Carrington Prime Advantage Program.</p>
Covid-19 Forbearance	Refer to Fannie Mae.
Judgments/Liens	<p>Judgments 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.

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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">• 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	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 660 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.
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.

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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.
Bank Statement Income	Loans utilizing bank statement documentation for income will not require a 4506-C form to be signed or processed for transcripts. When a file has mixed income (W2 wage earner income) combined with the bank statement income option, CMS must obtain a 4506-C and transcripts for the W2 wage earner income only. See Carrington Prime Advantage Program Guidelines for details. Please Note: Underwriter may condition for 4506-C tax transcripts to be signed and processed on a case by case basis.
Residual Income	\$2,500 plus an additional \$150 per dependent required for Primary Residence and Second Homes only. Residual Income is not required on Investment Properties.
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-C 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 two most recent 1099's OR 2 month's 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.
Rental Income	Rental income from a 1-unit primary residence may not be used. Boarder income cannot be used. All rental income must be accounted for in the cash flow even if not needed to qualify. 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. 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. For properties owned for less than 1 year, rental income should be calculated using the lesser of: <ul style="list-style-type: none"> • 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) Converting current residence into a rental: 75% of a lease minus the full PITIA may be used.

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INCOME/ASSETS, continued

Bank Statement Documentation

Self-employed borrowers are eligible for either Personal Bank Statement Documentation or Business Bank Statement Documentation. The following restrictions apply to both documentation types:

- Borrowers must be self-employed for at least 2 years.
- Business must be in existence for at least 2 years.
- Standard Tradelines are required.
- Non-Permanent Resident Aliens and Foreign Nationals are ineligible. Exceptions are not permitted.
- Foreign sources of income are ineligible.
- For Personal Bank Statement qualifying, all parties listed on each bank account must be included as borrowers on the loan. For Business Bank Statements where the borrower is not 100% owner of the business or another party appears on the business bank statements, refer to the guidelines for documenting the borrower's percent ownership of the business.
- 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.
- W-2 Wages: 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. W-2 transcripts may be used in lieu of paper W-2s.
- 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.

The following documentation is required:

- 12 or 24 months complete personal/business 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.

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INCOME/ASSETS, continued

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 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 borrower is 100% owner of the business, and depleting the assets from the business account will not have a negative impact on the viability and cash flow of the business (Refer to Carrington Prime Advantage Underwriting Guidelines for additional requirements).</p>
Ineligible Sources of Assets / 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, Section 8 Voucher Assistance, Cryptocurrency (digital assets such as bitcoins) and Private Savings Club accounts.</p>
Borrower Investment / Contribution	<p>Borrower minimum investment is: Primary Residence - 5% own funds; Second Home – 10% own funds</p>
Asset Conversion	<p>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.</p> <p>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.</p> <p>The following assets are considered Qualified Assets and can be utilized to calculate income:</p> <ul style="list-style-type: none"> • 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-month seasoning of assets required <p>The following assets are not permitted:</p> <ul style="list-style-type: none"> • Funds in Foreign Banks • Funds in Business Accounts <p>Asset Conversion may be used in conjunction with Full Income Documentation. May not use Asset Conversion in addition to Bank Statement Income Documentation.</p> <p>The income calculation is as follows: Monthly Income = Net Qualified Assets / 60 Months. Refer to Carrington Prime Advantage Underwriting Guidelines for additional information.</p>

Product Matrix

Carrington Prime 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 home transactions once the borrower has met the minimum 5% contribution (primary) or 10% (second home). Gift funds are not acceptable for reserves. 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.
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 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.
Minimum Reserves	Cash out proceeds permitted for reserves with ≥ 700 FICO. Reserves must come from borrowers own funds. Subject property reserve requirement - refer to the above LTV, Additional Program overlays and requirements sections. Use of Rental Income Without a Lease: 3 months in addition to standard requirement Multiple Financed Properties: 2 months for each additional property when the subject is a Second Home or Investment Property
Qualifying Reserves on ARM	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.
Debt Ratio	See Grid Above
Departure 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	All loans are manually underwritten. AUS is not permitted.

PURCHASE MONEY

Seller Contribution / Sales Concessions	Maximum seller contribution up to 9% towards closing for Primary Residence and Second Homes (LTV \leq 75%), 6% towards closing for Primary Residence and Second Homes (LTV > 75%). Up to 2% toward closing for Investment Properties. Sales concessions exceeding the seller contribution limits must be deducted from the sales price before calculating the LTV/CLTV. Financing concessions are not allowed.
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Product Matrix

Carrington Prime Advantage Program

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GENERAL

Age of Documents	Credit Report 90 days; Title Report 90 days; Appraisal 120 days; Closing Protection Letter (CPL) 90 Days
Loan Terms Available	30 year Fixed, 5/1 ARM, 7/1 ARM, 10/1 ARM, 5/1 ARM-IO, 7/1 ARM-IO, and 10/1 ARM-IO
Qualifying Payment	Use Qualifying Rate for calculating PITIA
Interest-Only Qualifying Payment	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 qualifying PITIA. For example, a 30-year loan with a 10-year interest-only period would have a 20-year fully amortizing period.
Escrow Waivers	All States excluding DC: Property tax and/or insurance escrows may be waived with FICO \geq 700 and LTV \leq 80%. DC loans: Property tax and/or insurance escrows may be waived if the LTV is 80% or lower. HPML loans: escrows may not be waived regardless of LTV.
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
Ineligible States	All loans: New Hampshire, Massachusetts and North Dakota (Correspondent loans are eligible for Massachusetts and 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. Retail Loans Only: Interest Only loans not permitted in Illinois in Cook, Kane, Peoria, and Will counties.
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	Primary Residence and Second Home: NY loans: require a minimum loan size of "Conforming High Balance Loan Limit plus \$1". Investment Properties: Minimum Loan Amount = \$100,000 NY CEMA Loans are permitted (NY CEMA not eligible for CMS Correspondent channel). NY subprime loans are not permitted.

Product Matrix

Carrington Prime Advantage Program

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GENERAL, continued

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 for taxes and insurance No Prepayment Penalty
Documenting Business Bank Ownership	Generally, the parties on the business bank accounts should be the same parties on the loan request. If a party appears on a business bank account but is not a borrower on the loan, business records must be provided to prove the borrower's percentage of ownership and entitlement to profits. 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. Qualifying income must be multiplied by the percentage of profits that the borrower is entitled to.
Eligible Borrowers	U.S. Citizens and 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. CMS limits the maximum number of borrowers on one loan to eight (8).
Ineligible Borrowers	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.
Non-Occupant Co-Borrowers/ Co-Signers	Allowed. Note: if a non-occupant co-borrower is the primary wage earner, their credit score will be used for qualifying purposes.
Power of Attorney	Not Permitted
First Time Investor	Permitted. A First-Time Investor is a borrower who has not owned at least one investment property for at least 12 months anytime during the most recent 12-month period. Maximum 65%% LTV when all borrowers are First Time Investors.
First Time Homebuyer	Permitted
Mortgage Insurance (MI)	Not Required
Rent Loss Insurance	Not Required
Prepayment Penalty	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.

Product Matrix

Carrington Prime Advantage Program

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TEXAS HOME EQUITY REQUIREMENTS	
Loan to Value	Use the cash out LTVs listed above.
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.
Ineligible Property Types	2-4 units, second homes, investment properties
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). • There can only be 1 outstanding Texas (a)(6) loan on the property at any time. • The borrower must pay-off an existing Texas (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. <p>The 50(a)(6) loan may not be used to acquire the property or to finance construction.</p>
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.</p> <p>The 2% cap includes fees paid to the lender, broker, or any third party which includes credit report fees, recording fees, origination fees, etc.</p> <p>If closing costs are greater than 2%, fees must be reduced prior to closing.</p> <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> <p>Please note: Texas Conversion loans are excluded from the 2.00% fee limitation.</p>

Product Matrix

Carrington Prime Advantage Program

Program Codes: See the Program Codes section

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TEXAS HOME EQUITY REQUIREMENTS (CONTINUED)

<p>Loan Parameters</p>	<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.
<p>Title</p>	<p>A title insurance policy written on Texas Land Title Association forms (standard or short) including T42 and T42.1 endorsements is required.</p> <p>For self-employed borrowers operating a business from the homestead property, the title company must issue a T42.1 endorsement without exception or deletion.</p> <p>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>

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Carrington Prime Advantage Program

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TEXAS HOME EQUITY REQUIREMENTS (CONTINUED)	
Survey	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.
Power of Attorney	Not Permitted
Closing Requirements	Attorney Review required. All documents must be reviewed by Polunsky Beitel Green, LLP
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. <p>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.</p>
Additional Texas 50(a)(6) Requirements	<p>The borrower(s) must be provided a complete and accurate copy of the Final URLA, 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 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 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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Carrington Prime Advantage Program

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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>
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.</p> <p>New subordinate financing is not allowed, but existing subordinate financing may remain in place.</p> <p>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
Escrow Accounts	<p>Escrow Accounts are required. For new construction escrow accounts 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.</p>
Ineligible Borrowers	<p>Non-Occupant co-borrowers, co-signers, and borrowers not on title are not eligible for Texas Home Equity financing.</p>

Product Matrix

Carrington Prime Advantage Program

Program Codes: See the Program Codes section

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Carrington Prime Advantage Program Codes	
Program Code	Description
NP30F	30–Year Fixed
NP30FALT1YR	30–Year Fixed 1 Year Alternative Documentation
NP30FBANK12	30–Year Fixed 12 Month Bank Statements
NP30FBANK24	30–Year Fixed 24 Month Bank Statements
NP51A	5/1 LIBOR ARM
NP51AALT1YR	5/1 LIBOR ARM 1 Year Alternative Documentation
NP51ABANK12	5/1 LIBOR ARM 12 Month Bank Statements
NP51ABANK24	5/1 LIBOR ARM 24 Month Bank Statements
NP71A	7/1 LIBOR ARM
NP71AALT1YR	7/1 LIBOR ARM 1 Year Alternative Documentation
NP71ABANK12	7/1 LIBOR ARM 12 Month Bank Statements
NP71ABANK24	7/1 LIBOR ARM 24 Month Bank Statements
NP101A	10/1 LIBOR ARM
NP101AALT1YR	10/1 LIBOR ARM 1 Year Alternative Documentation
NP101ABANK12	10/1 LIBOR ARM 12 Month Bank Statements
NP101ABANK24	10/1 LIBOR ARM 24 Month Bank Statements

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Carrington Prime Advantage Program

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Carrington Prime Advantage Program Codes – Interest Only	
Program Code	Description
NP51AIO	5/1 LIBOR ARM Interest Only
NP51AALT1YRIO	5/1 LIBOR ARM 1 Year Alternative Documentation Interest Only
NP51ABANK12IO	5/1 LIBOR ARM 12 Month Bank Statements Interest Only
NP51ABANK24IO	5/1 LIBOR ARM 24 Month Bank Statements Interest Only
NP71AIO	7/1 LIBOR ARM Interest Only
NP71AALT1YRIO	7/1 LIBOR ARM 1 Year Alternative Documentation Interest Only
NP71ABANK12IO	7/1 LIBOR ARM 12 Month Bank Statements Interest Only
NP71ABANK24IO	7/1 LIBOR ARM 24 Month Bank Statements Interest Only
NP101AIO	10/1 LIBOR ARM Interest Only
NP101AALT1YRIO	10/1 LIBOR ARM 1 Year Alternative Documentation Interest Only
NP101ABANK12IO	10/1 LIBOR ARM 12 Month Bank Statements Interest Only
NP101ABANK24IO	10/1 LIBOR ARM 24 Month Bank Statements Interest Only

Carrington Prime Advantage Program Codes – Texas Home Equity	
Program Code	Description
NP30FTX	30–Year Fixed Texas Home Equity
NP30FTXALT1YR	30–Year Fixed Texas Home Equity 1 Year Alternative Documentation
NP30FTXBANK12	30–Year Fixed Texas Home Equity 12 Month Bank Statements
NP30FTXBANK24	30–Year Fixed Texas Home Equity 24 Month Bank Statements
NP30FTXCONVERT	30–Year Fixed Texas Home Equity Conversion
NP30FTXCONVERTALT1YR	30–Year Fixed Texas Home Equity Conversion 1 Year Alternative Documentation
NP30FTXCONVERTBANK12	30–Year Fixed Texas Home Equity Conversion 12 Month Bank Statements
NP30FTXCONVERTBANK24	30–Year Fixed Texas Home Equity Conversion 24 Month Bank Statements