

# Product Matrix

## Carrington Investor Advantage Program

Program Codes: N30FINVADV, N51AINVADV, N101AINVADV,  
N51AINVADVIO, N101AINVADVIO

Version 5.0 – 09/10/20



Investor Advantage				Program Parameters		
Loan Amount	FICO	Purchase & R/T	Cash Out	Limits		
≤ \$750,000	720	80%	75%	Minimum Loan Amount	\$100,000	
	700	75%	70%	Maximum Loan Amount	\$1,500,000	
	680	75%	70%	Maximum Cash Out	\$500,000	
	660	70%	65%	<b>Product Types</b>		
\$750,001 up to \$1,500,000	720	75%	65%	30-Year Fixed, 5/1 ARM and 10/1 ARM		
	700	70%	60%	<b>Interest-Only: 5/1 &amp; 10/1 ARM-IO Terms</b>		
	680	65%	60%	<b>IO Period</b>	<b>Amort Term</b>	<b>Final Maturity</b>
	660	60%	55%	10 Years	20 Years	30 Years
Mortgage/Rental History	1x30x12			<b>ARM Margins and Caps</b>		
Foreclosure Seasoning	36 Months			<ul style="list-style-type: none"> <li>Margin: 6% - Caps: 5/1 - 2/2/5, 10/1 - 5/2/5</li> <li>Index: 1 Year LIBOR - Floor Rate = Note Rate</li> <li>ARM amortization is based on 30 year loan term and is fully amortizing for the life of the loan.</li> <li>Index Lookback Period: 45 Days</li> </ul>		
Short Sale/DIL Seasoning	36 Months			<b>Qualifying Rate (see also Qualifying Payment Below)</b>		
Chapter 13 BK Seasoning	36 Months (Discharged or Dismissed)			<b>Fixed</b> = Note Rate <b>ARM/ARM-IO</b> = Greater of Note Rate or Fully Indexed Rate rounded up to the nearest eighth percentage.		
Chapter 7/11 BK Seasoning	36 Months					
Additional LTV Limits		Max LTV	Interest Only			
2-4 Units		70%	Not available in West Virginia			
Unleased Subject Prop (Refi Only)		65%				
First-Time Investor		65%				
Debt Coverage Ratio (DCR)			Additional Program Requirements			
DCR 1.00 +	Maximum LTV Per Matrix		Occupancy	Investment Properties Only		
DCR 0.75 – 0.99	Maximum LTV 65%		Residual Income	Residual Income not required on Investment Properties.		
Debt Coverage Ratio (DCR) = Gross Rental Income / Monthly PITIA Payment.			Seller Concessions	Up to 2% toward closing for Investment Properties.		
			Reserves	3 Months. Cash out proceeds not permitted to meet reserve requirements.		
			Secondary/Subordinate Financing	Not Permitted.		
			Gross Rental Income	Lesser of Estimated Market Rent from Form 1007 or monthly rent from an existing lease for the subject property Unleased Subject Property (Refinance only): Max LTV - 65%		

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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>
Appraisal	1 Full appraisal required. Exterior and Interior inspection. Color photographs required.
Appraisal Review	<p>The Appraisal Review Process requires a secondary due diligence product to support the appraised value for the transaction. Acceptable products include:</p> <ul style="list-style-type: none"> <li>• Desk Review (must contain a value and comparative sales data to support the valuation result)</li> <li>• Second Full Appraisal</li> </ul> <p>The following require a Desk Review:</p> <ul style="list-style-type: none"> <li>• Appraised value &lt; \$1,000,000</li> </ul> <p>The following require a Second Full Appraisal:</p> <ul style="list-style-type: none"> <li>• Loan amount ≥ \$1,000,000</li> </ul> <p>When two appraisals are required, the lower of the two values must be used to determine value.</p> <p>Appraised value ≥ \$1,500,000 requires a Carrington Capital Management (CCM) review. When two appraisals are present the lowest value is used.</p> <p>Desk Reviews and Second Full Appraisals, when required, must be ordered from a CMS-approved AMC. <b>A Second Full Appraisal must be completed by a different appraiser and different AMC than the first appraisal.</b> CMS reserves the right to request additional appraisal products at our discretion based on review of the appraisal and loan file.</p> <p>See the Carrington Investor Advantage Program Guidelines for full details on available review products.</p>

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#### COLLATERAL, continued

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 Investor Advantage Program Guidelines for condominium specifications.
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	One Unit Single Family Residences (Attached and Detached), PUDs (Attached and Detached), Condos (Low and High Rise), Site Condo, Townhouse, 2-4 Unit Properties, and Modular Homes
Ineligible Property Types	Co-ops, Condotels, Non-Warrantable Condominiums, Manufactured, Unique Properties, Mixed Use properties, Leaseholds, Rural Properties, Log Homes, Agriculturally Zoned, Farms or Hobby/Working/Income Producing Farms, Properties with oil, gas, or mineral rights, Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, State-approved medical marijuana producing properties.  <b>Note:</b> Mixed Use properties are defined as properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office are not eligible.
Property Flipping	Seller must be on title for greater than 180 days.
Resale/Deed Restrictions	Communities where the minimum age requirement is 55 are permitted.
Maximum Number of Financed Properties	No limit for other servicers; Limit 5 financed properties serviced by Carrington Mortgage Services. See Carrington Investor Advantage Program Guidelines for additional requirements.
Maximum Acreage	Maximum 2 acres

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### TYPES OF FINANCING

<p>General Refinance Requirements</p>	<p>Rate/term refinance and cash-out refinance transactions are allowed. All investment property refinances require an appraisal review product. See Appraisal Review Process for detailed requirements. <b>Determining Loan-to-Value</b> If the property was purchased &gt; 12 months from application date, the appraised value must be used to determine loan-to-value. If the property was purchased &lt; 12 months from application date, the lesser of the current appraised value or the 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>
<p>Rate &amp; Term Refi/ Limited Cash Out</p>	<p>No seasoning of first mortgage (no minimum number of payments required on current mortgage). If value has increased more than 15%, photos of improvements are required. Maximum cash in hand is the lesser of 2% of the principal of the new loan amount or \$2000. Closing Disclosure (CD) or HUD-1 settlement statement, as applicable required from any transaction within past 6 months. 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. If new transaction combines a 1st and non-purchase money 2nd into a new 1st loan, it is considered cash out. 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>
<p>Listed For Sale or Purchase</p>	<p>To be eligible for either a rate/term or a cash-out refinance, the subject property must be taken off the market on or before application date, provide a letter of explanation for the MLS listing and statement of intent to retain the property for 12 months after closing. For cash-out transactions, if the subject property was listed for sale in the 6 months prior to application date, a 10% LTV reduction from the maximum available for the specific transaction is required. <b>The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term or cash-out transactions.</b></p>
<p>Cash-out Refinance</p>	<p>For all cash-out refinance transactions: at least one borrower must have been on title a minimum of six (6) months prior to the new note date and a minimum of 6 months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). Note date to note date is used to calculate the 6 months. For cash-out refinance transactions where the property is currently vested in a trust or LLC, the borrowers must have owned the property in the name of the trust or LLC for at least six (6) months prior to closing. <b>Note:</b> Properties removed from a Trust are not required to meet the title seasoning requirement if the property moves from the Trust to the owner of Trust and 6 month seasoning is met in the Trust. There is no waiting period if the borrower was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.</p>
<p>Cash Out</p>	<p>Maximum Cash Out = \$500,000 Cash Out proceeds must be used for "real estate" business purposes only. Proceeds of the loan are limited to the purchase of an additional investment property or the improvement and/or maintenance of the subject property or other investment properties. Utilizing proceeds of the loan for personal, family, or household purposes is prohibited.</p>

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TYPES OF FINANCING (continued)	
Business Purpose Loans	Business Purpose Loans are not subject to the Points and Fees Test, Anti-Steering or Consumer Credit Counseling requirements.
All Refinances	As a best practice, CMS requires that all refinance transactions must have Net Tangible Benefit to Borrower.
Non-Arm's Length Transactions	Non-arm's length transactions involve a direct relationship outside of the subject transaction between a borrower and a party to the loan. See Carrington Investor Advantage Program Guidelines for specific requirements.
Construction-to-Perm	Not permitted
Texas A(6) Refinances	Not permitted
CREDIT	
Minimum Credit History	<p>Standard Credit: 3 tradelines reporting for 12+ months with activity in last 12 months OR 2 tradelines reporting for 24+ months with activity in last 12 months 0x60 for most recent 12 months</p> <p>Trade lines must meet the following: The credit line must be reflected on the borrower's credit report</p> <ul style="list-style-type: none"> <li>• The account must have activity in the past 12 months and may be open or closed</li> <li>• Tradelines used to qualify may not exceed 0x60 in the most recent 12 months</li> <li>• An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline</li> </ul> <p>Credit lines on which the borrower is not obligated to make payments are not acceptable for establishing a minimum history. e.g., loans in a deferment period, collection or charged-off accounts, accounts discharged through bankruptcy, and authorized user accounts.</p>
Limited Tradelines	Not permitted
Non-Traditional Credit	Not permitted
Evidence of Primary Residence	<p>All borrowers must presently own or rent their primary residence. Evidence is required.</p> <p>Borrowers who own a primary residence must provide:</p> <ul style="list-style-type: none"> <li>• Proof of ownership of a primary home superior in value and/or appeal to subject</li> </ul> <p>Borrowers who rent a primary residence must provide:</p> <ul style="list-style-type: none"> <li>• Evidence of an active lease in place</li> <li>• Primary residence should be supported by one of the following characteristics:                             <ul style="list-style-type: none"> <li>○ Geographically consistent with borrower's place of employment. If the 1003 employment section is blank, the Underwriter must add a condition for the 1003 to list the borrower's Employer name and address; or</li> <li>○ General appeal and location of primary is superior to subject property</li> </ul> </li> </ul>

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### CREDIT, continued

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 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>
Forbearance Due to FEMA Disaster	<p>CMS will permit forbearance only in cases of a FEMA Disaster Declaration. Documentation from the servicer must be obtained and the cause outside the disaster (i.e. loss of work, damage, etc.) must be cured and documented (i.e. back to work).</p>
Late Payments - Consumer Debts	<p>This Late Payments section applies to every credit account that is not a mortgage or home equity loan. E.g. revolving/installment accounts.</p> <p><b>Rolling Late Payments:</b> Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility. Rolling late payments are not permitted on Investor Advantage.</p> <p><b>Past Due Accounts:</b> Past due consumer debts can be no more than 30 days past due at time of closing. Consumer late payments may not exceed 1x60 over the prior 12 months for Investor Advantage.</p>
All Bankruptcy	<p>36 Months Seasoning whether Discharged or Dismissed; see Matrix Above.</p>
Short Sale/ Foreclosure/ Deed-in-Lieu/ Modification	<p>36 Months Seasoning; see Matrix Above.</p>
Collections/ Charge Offs	<p>The following accounts may remain open:</p> <ul style="list-style-type: none"> <li>• Collections and charge-offs &lt; 24 months old with a maximum cumulative balance of \$2,000</li> <li>• Collections and charge-offs ≥ 24 months old with a maximum of \$2,500 per occurrence</li> <li>• Collections and charge-offs that have passed beyond the statute of limitation for that state (supporting documentation required)</li> <li>• All medical collections</li> </ul> <p>Collection and charge-off balances exceeding the amounts listed above must be paid in full.</p>
Judgments/Liens	<p>Judgments and tax liens must be paid off prior to or at closing</p>
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"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided.</li> </ul>
Minimum FICO	<p>Each borrower and/or guarantor 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.</p> <p>The applicable credit score is the middle of three scores provided for any borrower. If only two credit score are obtained, the lesser of two will be used. When there are multiple borrowers, the lowest applicable score from the group of borrowers is the representative credit score for qualifying.</p>

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INCOME/ASSETS	
Employment/ Income Analysis	There is no employment verification or income analysis under the Investor Advantage Program.
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 FNMA 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.
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, Section 8 Voucher Assistance, and Cryptocurrency (digital assets such as bitcoins)
Borrower Investment/ Contribution	100% own funds (excludes Seller Contributions as detailed below)
Gift Funds	Not permitted.
PURCHASE MONEY	
Seller Contribution/ Sale Concessions	Maximum seller contribution up to 2% toward closing. Sales concessions exceeding the seller contribution limits must be deducted from the sales price before calculating the LTV/CLTV. Financing concessions are not permitted.
GENERAL	
Age of Documents	Credit Report 60 days; Title Report 60 days; Appraisal 120 days; Closing Protection Letter (CPL) 60 Days
Loan Terms Available	30-Year Fixed, 5/1 ARM, 10/1 ARM, 5/1 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	Permitted
Assumptions	Not Permitted



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#### GENERAL, continued

Ineligible States	All loans: North Dakota; Massachusetts (Correspondent loans are eligible for Massachusetts and North Dakota). Interest Only not permitted in West Virginia
Eligible Borrowers	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., Business entities (e.g. Limited Liability Companies, Limited and General Partnerships, Corporations, S-Corps).
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 holding title in the name of a trust, Borrowers with more than 5 CMS financed properties, including the subject property.
First Time Investors	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.
Loans to Employee(s) of Broker/Seller	Permitted. See Carrington Investor Advantage Program Guidelines for specific requirements.
Power of Attorney	A Limited Power of Attorney (POA) is acceptable. Refer to Carrington Investor Advantage Program Guidelines for requirements.
Rent Loss Insurance	Rent Loss insurance for the subject property is required and must equal at least 6 months of local average monthly rents. Blanket policies covering the subject property are permitted. Refer to the Carrington Investor Advantage Program Guidelines for complete property insurance requirements.
Mortgage Insurance (MI)	Not Required
Prepayment Penalty	Permitted for Investment Properties and may only be charged when permissible by State law. <b>Note:</b> A Business Purpose Affidavit must be executed at closing if a prepayment penalty is charged.
Investor Advantage Required Forms	Business Purpose & Occupancy Affidavit (all borrowers are required to sign at closing to declare that the property is, or will be, for commercial business or investment purpose only). Two copies are required: The initial disclosure provided is for informational purpose only and does not need to be signed and the disclosure generated with the closing documents must be signed AND notarized. <ul style="list-style-type: none"> <li>• Guaranty (if applicable)</li> <li>• 1-4 Family Rider/Assignment of Rents (FNMA Form 3170)</li> </ul>