

# Product Matrix

## Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



Program Max LTVs			Primary / Second Homes*				Investment			
			Full Doc		Alternative Doc		Full Doc		Alternative Doc	
Loan Amount	Reserves	FICO	Purch & R/T	Cash Out	Purch & R/T	Cash Out	Purch & R/T	Cash Out	Purch & R/T	Cash Out
≤ \$1,000,000	6 Months	720	80%	75%	80%	75%	70%	65%	70%	65%
		680	80%	75%	80%	75%	70%	65%	65%	60%
		660	80%	70%	80%	70%	70%	65%	65%	60%
		640	75%	70%	75%	70%	65%	60%	65%	55%
		620	75%	70%	70%	65%	-	-	-	-
> \$1,000,000 up to \$2,000,000	12 Months	720	80%	75%	80%	70%	70%	65%	65%	60%
		680	75%	70%	75%	70%	65%	60%	60%	55%
		660	75%	70%	70%	65%	65%	60%	60%	50%
		640	70%	65%	65%	60%	60%**	-	55%**	-
		620	70%	65%	-	-	-	-	-	-
*See Max LTV below for Second Homes LTV **Purchase Only										
Max LTV			Investment Property				Interest-Only			
<ul style="list-style-type: none"><li>*Second Homes = 70%</li><li>2-4 Unit = 70%</li></ul>			<ul style="list-style-type: none"><li>No subordinate financing</li></ul>				<ul style="list-style-type: none"><li>Not available in West Virginia</li><li>Retail Loans Only: Refer to <a href="#">Illinois section</a> for additional restrictions</li></ul>			
Income										
Full Documentation			<ul style="list-style-type: none"><li>2 Years W-2 Income or 2 Years Tax Returns</li></ul>							
Alternative Documentation			<ul style="list-style-type: none"><li>24 Months Business or Personal Bank Statements</li><li>12 Months Business or Personal Bank Statements</li><li>1 Year Documentation (W-2 or Tax Return)</li><li>1 or 2-Years IRS Form 1099 or Profit and Loss Statements</li><li>Asset Conversion</li><li>Written Verification of Employment</li></ul>							
Additional Program Requirements										
Reserves			Cash out proceeds permitted for reserves with ≥ 620 FICO.							

Program Requirements	
Mortgage History	1x30x12
Foreclosure Seasoning	36 Months
Short Sale/DIL Seasoning	36 Months
Bankruptcy Seasoning	36 Months
1x120 Mortgage Late	36 Months
Residual Income <sup>(1)</sup>	\$2,500
Maximum Cash Out	\$500,000
Standard Debt Ratio	50%
Minimum Loan Amount <sup>(2)</sup>	\$100,000
Maximum Loan Amount	\$2,000,000
(1) Does not apply to Investment Properties	
(2) NY loans: Primary Residence and Second Homes must pass the NY Subprime test.	
Products	
5/6 ARM, 7/6 ARM, 30 Year Fixed and 40 Year Fixed	
Interest-Only: 5/6 and 7/6 ARM-IO Terms	
IO Period	Amort Term
10 Years	20 Years
Final Maturity	
30 Years	
ARM Margins & Caps	
5/6 ARM	Margin: 4.50
7/6 ARM	Margin: 4.50
Caps: 2/2/5	
Caps: 5/2/5	
Index = 30-Day Average Compound SOFR	
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	
Qualifying Rate (see also <a href="#">Qualifying Payment</a> Below)	
Fixed = Note Rate	
ARM/ARM-IO = Greater of Note Rate or Fully Indexed Rate rounded up to the nearest eighth percentage	

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#### Flexible Advantage Plus - Program Maximum LTVs

The following FICO and LTV restrictions apply when any borrower uses an Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number (SSN). Refer also to ITIN section below.

ITIN Max LTVs			Primary / Second Homes		Investment	
			Full Doc	Alternative Doc	Full Doc	Alternative Doc
Loan Amount	Reserves	FICO	Purchase & Rate/Term	Purchase & Rate/Term	Purchase & Rate/Term	Purchase & Rate/Term
≤ \$1,000,000	6 Months	760	75%	75%	60%	60%
		720	75%	75%	60%	55%
		700	75%	75%	60%	55%
		680	75%	75%	55%	55%
		660	75%	70%	-	-
		640	70%	65%	-	-
> \$1,000,000 up to \$2,000,000	12 Months	760	70%	70%	60%	55%
		720	65%	65%	55%	50%
		700	65%	60%	55%	50%
		680	60%	55%	50%*	45%*
		660	60%	-	-	-

\*Purchase Only

#### Carrington Flexible Advantage Plus 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	CMS permits appraisals to be based on the "as is" condition of the property provided existing conditions are minor and do not affect the safety, soundness, or structural integrity of the property, and the appraiser's opinion of value reflects the existence of these conditions. Deferred maintenance is typically due to normal wear and tear from the aging process and the occupancy of the property. While such conditions generally do not rise to the level of a required repair, they must be reported. Examples of minor conditions and deferred maintenance include worn floor finishes or carpet, minor plumbing leaks, holes in window screens, or cracked window glass.
Property Repairs	All property repairs must be completed prior to closing. Escrow holdbacks are permitted for new construction landscaping. Escrow holdbacks are not permitted for any other reasons.
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.

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#### COLLATERAL, continued

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-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"> <li>• LTV ≤ 80%,</li> <li>• Loan amount ≤ \$1,500,000, and</li> <li>• CU Score ≤ 2.5</li> </ul> <p>The following require a Desk Review (ineligible for CU):</p> <ul style="list-style-type: none"> <li>• Any loan where the LTV &gt; 80%, or</li> <li>• CU Score &gt; 2.5</li> </ul> <p>The following require a Second Full Appraisal:</p> <ul style="list-style-type: none"> <li>• Loan amount &gt; \$1,500,000</li> <li>• Flip Transactions</li> <li>• 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.</li> </ul> <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: Appraised value ≥ \$1,500,000. When two appraisals are present the lowest value is used.</p> <p>Desk Reviews, Field 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, independent appraiser 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 Carrington Flexible Advantage Underwriting Guidelines for full details on the available review products.</p>
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	<p>All condominiums must have a valid project review along with a completed CMS Homeowners' Association Certification (InterIsland HOA Questionnaire).</p> <p>ATTACHED CONDOS: Appraisal must contain 2 comparable sales from subject's project in addition to the current comparable sale requirements. See Carrington Flexible Advantage Underwriting Guidelines for condominium specifications.</p>
All Properties Square Footage	Minimum of 600 square feet of gross living area.
Eligible Property Types	SFR, PUD, Townhome, Condominium, 2-4 Unit, Modular, Hobby Farms, Agriculturally Zoned Properties, and Mixed-Use Properties.

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#### COLLATERAL, continued

Ineligible Property Types	Co-ops, Condotels, Non-Warrantable Condominiums, Manufactured, Unique properties, Leaseholds, Rural properties, Log Homes, Farms or Working/Income Producing Farms, Properties with active oil, gas, or mineral drilling, excavation, etc., Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, Hawaiian properties in lava zones 1 and 2, Group homes or boarding houses, including convalescent and/or healthcare homes and State-approved medical marijuana producing properties.
Mixed Use Properties	<p>CMS will allow for mortgages that are secured by properties that have a business use in addition to their residential use, such as a property with space set aside for a day care facility, a beauty or barber shop, or a doctor's office.</p> <p>The following special eligibility criteria must be met:</p> <ul style="list-style-type: none"> <li>• The property must be a one-unit dwelling that the borrower occupies as a principal residence.</li> <li>• The borrower must be both the owner and the operator of the business.</li> <li>• The property must be primarily residential in nature.</li> <li>• The dwelling may not be modified in a manner that has an adverse impact on its marketability as a residential property.</li> </ul> <p>The appraisal requirements for mixed-use properties must:</p> <ul style="list-style-type: none"> <li>• provide a detailed description of the mixed-use characteristics of the subject property;</li> <li>• indicate that the mixed use of the property is a legal, permissible use of the property under the local zoning requirements;</li> <li>• report any adverse impact on marketability and market resistance to the commercial use of the property;</li> <li>• report the market value of the property based on the residential characteristics, rather than of the business use or any special business-use modifications that were made;</li> <li>• report that no modifications have been made that would adversely affect marketability</li> </ul> <p>A confirmation of the appraiser's review will be performed by a Due Diligence (DD) firm. If the DD firm disagrees with the appraiser, DD findings will take priority over appraiser findings.</p>
Rural Property Determination	<p>Rural properties are ineligible. Properties are considered rural if the appraiser indicates the subject Location as Rural in the Neighborhood section of the appraisal report.</p> <p>See Carrington Flexible Advantage Underwriting Guidelines for additional requirements.</p>
Property Flipping	Title transfers within 180 days are subject to additional requirements. See Carrington Flexible 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 Flexible Advantage Underwriting Guidelines for additional requirements.
Maximum Acreage	Primary & Second Homes: maximum 10 acres / Investment Properties: maximum 2 acres

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#### TYPES OF FINANCING

General Refinance Requirements	<p>Rate/term refinance and cash-out refinance transactions are allowed.</p> <p><b>Determining Loan-to-Value</b></p> <p>If the subject property was purchased between 6 months and 12 months from the note date of the new mortgage, the current appraised value may be used to determine the loan amount when two full appraisals are obtained. The lower of the two values must be used.</p> <p>If the property was purchased <math>\leq</math> 6 months from the note date of the new mortgage, the lesser of the current appraisal value or previous purchase price plus documented improvements (if any) must be used. The purchase settlement statement and any invoices for materials/labor will be required.</p> <p>Refinances of Short Payoffs are only acceptable for CMS to CMS (Stanwich Portfolio) transactions.</p>
Rate & Term Refi / Limited Cash Out	<p>No seasoning of first mortgage (no minimum number of payments required on current mortgage).</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 lesser 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 minimum 2-year prepayment penalty* or 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>*Note - Prepayment penalties may only be applied to Investor Loans. Please refer to the state-specific matrices for details.</p>
Cash-out Refinance	<p>For all cash-out refinance transactions: a signed letter from the borrower disclosing the purpose of the cash-out must be obtained. 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.</p> <p>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.</p> <p><b>Note:</b> Properties removed from a Trust or LLC are not required to meet the seasoning requirements if the property moves from the Trust to the owner of Trust or the LLC to the owner of LLC. Minimum fifty-percent (50%) ownership of the LLC is required.</p> <p>There is no waiting period if the borrower was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.</p>

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TYPES OF FINANCING, Continued	
Cash Out	Maximum Amount: \$500,000 Cash out may be used to pay off debt for qualifying. Cash out proceeds permitted for reserves with $\geq 620$ 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 Flexible Advantage Program Guidelines and Texas Home Equity section below for full details. Not Permitted for Interest Only
Texas Conversion (Refinance) Transactions	To convert (refinance) a Texas 50(a)(6) loan to a Rate/Term loan the following are required: <ul style="list-style-type: none"> <li>Existing Texas 50(a)(6) loan must be seasoned for at least 12 months at time of closing</li> <li>Borrower(s) must be provided a copy of Notice Concerning Refinance of Existing Home Equity Loan to Non-Home Equity Loan Under Section 50(f)(2) disclosure</li> <li>Borrower(s) must receive disclosure within 3 business days of application and 12 calendar days prior to consummation</li> <li>Maximum 80% LTV/CLTV</li> <li>No cash out permitted</li> <li>Not Permitted for Interest Only</li> </ul>
Secondary Financing - Payoff	Allowed
Secondary Financing - Subordination	Allowed for Primary Residence and Second Home. Not permitted on Investment Properties. Maximum 90% CLTV (Institutional seconds only) Refer to Carrington Flexible Advantage Program Guidelines for additional information regarding Secondary/Subordinate Financing.

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#### CREDIT

Minimum Credit History - Primary Wage-earner Requirements	<p>Standard Credit: 3 tradelines reporting for 12+ months OR 2 tradelines reporting for 24+ 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 may be open or closed</li> <li>• Tradelines used to qualify may not exceed 0x60 in the most recent 12 months of reporting</li> <li>• An acceptable 12- or 24-month housing history not reporting on credit may also be used as a tradeline</li> <li>• Manually rated utility bills with at least 12 or 24 payments made may be used to meet Minimum Tradelines if they are added to the credit report or credit supplement. Utilities include mobile and landline phone, internet, cable and satellite, gas, electricity, water, solar, and trash. Video streaming services are not permitted.</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
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. 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 payments not reflected on the original credit report must be documented via an institutional Verification of Mortgage (VOM). VOMs from servicers and LLCs are considered institutional. Rental payments must be documented via a Verification of Rent (VOR). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history for all borrowers.</p> <p>Twelve (12) months of cancelled checks or bank statements must be obtained when:</p> <ul style="list-style-type: none"> <li>• the borrower is making rental payments to an interested party, or</li> <li>• the borrower is making mortgage payments to an individual or an interested party.</li> </ul> <p>A VOR/VOM is not required but may be requested for clarification.</p> <p>All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</p> <p>Borrowers with no housing history or less than 12 months housing history are permitted. Refer to Carrington Flexible Advantage Underwriting Guidelines for full details.</p>



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#### CREDIT, continued

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"> <li>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</li> <li>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.</li> </ol> <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><b>Rolling Late Payments:</b> Rolling late payments are not considered a single event. Each occurrence of a contractual delinquency is considered individually for loan eligibility.</p> <p><b>Past Due Accounts:</b> Past due consumer debts can be no more than 30 days past due at time of closing unless the past due consumer debt will be paid off at closing. For mortgage late payment requirements refer to Mortgage/Rental History above.</p>
Bankruptcy	Minimum 36 months seasoning since discharged/dismissed for all Chapter 7, Chapter 11 and Chapter 13 bankruptcies.
Housing Events	Minimum 36 months seasoning since event. Housing events include short sale, foreclosure, deed-in-lieu, modification, or 1x120 mortgage late. See Carrington Flexible Advantage Underwriting Guidelines for details on when a modification is classified as a housing event.
Collections/Charge Offs	<p>The following accounts may remain open:</p> <ul style="list-style-type: none"> <li>• Collections and unsecured charge-offs &lt; 24 months old with a maximum cumulative balance of \$2,000</li> <li>• Collections ≥ 24 months old with a maximum of \$2,500 per occurrence</li> <li>• Unsecured charge-offs ≥ 24 months old</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><b>Collections and charge-off balances exceeding the amounts listed above must be paid in full under the Carrington Flexible Advantage Plus Program. Charge offs secured by real estate must be paid in full.</b></p>



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#### CREDIT, continued

Judgments/Liens	<p>Judgments and tax liens must be paid off prior to or at closing, unless the requirements listed below are met. Adverse credit that will impact title must be paid in full as title must insure our lien position without exception.</p> <p>Court-ordered judgments may remain open when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided; and</li> <li>• The maximum payment required under the plan is included in the debt-to-income ratio.</li> </ul> <p>Outstanding tax liens may remain open on purchase transactions only (additional LTV reductions may be required based on the size of the lien). All of the following requirements must be met:</p> <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided;</li> <li>• The maximum payment required under the plan is included in the debt-to-income ratio; and</li> <li>• The title company must provide written confirmation confirming (a) the title company is aware of the outstanding tax lien, and (b) there is no impact to first lien position.</li> </ul>
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> <li>• The maximum payment required under the plan is included in the debt-to-income ratio.</li> </ul>
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 620 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.
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 (W-2 wage earner income) combined with the bank statement income option, CMS must obtain a 4506-C and transcripts for the W-2 wage earner income only. See Carrington Flexible Advantage Program Guidelines for details. <b>Please Note:</b> 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 is required for Primary Residence and Second Homes only. Residual Income 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. 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.
Rental Income	Rental income from a 1-unit primary residence or second homes may not be used. Boarder income cannot be used. <b>Note:</b> If rental income from the subject property is not being used to qualify, the gross monthly rent must still be documented with appraisal form 1007 for lender reporting purposes. The full PITIA on all rental properties must be considered in the debt ratio when rental income is not used to qualify. Subject property (2-4 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"> <li>• 75% of the current lease minus the full PITIA; or</li> <li>• Cash flow analysis of the Schedule E from the most recent year's federal income tax return (if applicable)</li> </ul> Converting current residence into a rental: 75% of a lease minus the full PITIA may be used.

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### INCOME/ASSETS, continued

Assets	<p>Must be sourced/seasoned for 60 days. <b>Asset statements must be dated within 120 days of closing and verified.</b></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 90 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, loans secured by borrower's assets, sale of real estate, funds borrowed secured by real estate, withdrawals from trust funds, proceeds from surrendered life insurance, retirement accounts using 60% of available/vested balance (SEP-IRA, 401K), borrower's real estate commission, business assets provided borrower is 50% 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.</p>
Ineligible Sources of Assets	<p>Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, Section 8 Voucher Assistance, Cryptocurrency (digital assets such as bitcoins) and Private Savings Club accounts</p>
Borrower Investment/Contribution	<p>Primary Residence - 5% own funds Second Home / Investment - 10% own funds A minimum borrower contribution of 10% is required on the following transactions:</p> <ul style="list-style-type: none"> <li>• Primary residence with unverifiable housing history</li> <li>• Loan amount over the FHFA Conforming Loan Limit</li> </ul>
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. <b>Please note:</b> 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"> <li>• 100% of checking, savings, and money market accounts</li> <li>• 100% of the remaining value of stocks &amp; bonds</li> <li>• 70% of retirement assets</li> <li>• 100% Cash Value of Life Insurance</li> <li>• 3-month seasoning of assets required</li> </ul> <p>The following assets are not permitted:</p> <ul style="list-style-type: none"> <li>• Funds in Foreign Banks</li> </ul> <p>Asset Conversion is an Alternative Income Documentation type and may be used as standalone income or with other income types. Bank Statement Documentation used to calculate self-employment income may not be included in the Asset Conversion calculation.</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 Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### INCOME/ASSETS, continued

Gifts	Gift funds are acceptable once the borrower has met the minimum 5% contribution (Primary) or 10% (Second Home/Investment). Excess gift funds verified in the borrower's bank account prior to closing are permitted for reserves. Gift funds provided at closing may not be considered towards reserves. Gift funds must be from a relative: defined as the borrower's spouse, child, or other dependent; or by any other individual who is related to the borrower by blood, marriage, adoption, or legal guardianship; or a fiancé, fiancée, or domestic partner. 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. Refer to guidelines for complete requirements on documenting the transfer of gift funds.
Gifts of Equity	Gifts of equity on non-arm's length transactions are allowed. Primary residence transactions with gifts of equity are subject to the maximum LTVs available for cash-out transactions, and no minimum borrower contribution is required. Second Home and Investment property transactions are allowed after meeting the borrower's minimum contribution requirement. The following requirements apply: 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. <b>For ITIN borrowers using a gift of equity, a 5% LTV reduction is required in lieu of using cash out LTVs.</b>
Minimum Reserves	<p>Cash out proceeds permitted for reserves with <math>\geq 620</math> FICO. Reserves must come from borrowers own funds.</p> <p>Subject property reserve requirement - refer to the above LTV, Additional Program overlays and requirements sections.</p> <p>Investment Properties and Second Homes Only: Minimum 6 months; 2 months of additional reserves required for each financed property; no limit on the number of other properties borrowers may have financed</p> <p>Multiple Financed Properties: 2 months for each additional property when the subject is a Second Home or Investment 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. <math>&gt; \\$1\text{MM}</math> - <math>\\$1.5\text{MM}</math> loan amounts) the reserve requirement can be reduced to 3 months when all of the following requirements are met:</p> <ul style="list-style-type: none"> <li>• Primary Residence; and</li> <li>• <math>\text{LTV} \geq 10\%</math> below the maximum available for the transaction; and</li> <li>• <math>\text{DTI} \leq 43\%</math>.</li> </ul> <p><b>Note:</b> At no time will a file have less than 3 months reserves.</p>
Qualifying Reserves on ARM Loans	Reserves on ARM loans must be determined based on the Fully Indexed Rate. Reserves are measured by the number of months of the qualifying payment amount for the subject mortgage (based on PITIA) that a borrower could pay using his or her financial assets.
Ineligible Reserves	Cash-on-hand, Sweat equity, Gift or grant funds which must be repaid, Down payment assistance programs, Bridge loans, Unsecured loans or cash advances, and Section 8 Voucher Assistance
Debt Ratio	See Grid Above
Retaining current Residence	If subject is an owner-occupied purchase transaction and borrower's current residence is pending sale, both the current and proposed housing payments are used to qualify.

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### 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	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 ≤ 75%), 6% towards closing for Primary Residence and Second homes (LTV > 75%); Up to 4% 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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#### GENERAL

Individual Taxpayer Identification Number (ITIN)	<p>ITIN borrowers work and reside in the U.S. but do not possess U.S. citizenship or a Social Security Number (SSN). Refer to grid above for FICO and LTV restrictions when any borrower is using an ITIN. Maximum Unpaid Principal Balance (UPB) = \$2.0MM</p> <ul style="list-style-type: none"> <li>All ITIN borrowers must provide: <ul style="list-style-type: none"> <li>Unexpired government ID with photo (driver's license, passport, visa, etc.), and</li> <li>Unexpired ITIN card or CP565 letter from the IRS assigning the ITIN to the borrower. The letter must be unexpired through the closing date. IRS form W7 is not an acceptable alternative to the ITIN card or CP565 letter. <ul style="list-style-type: none"> <li>ITINs are expired if the ITIN card or IRS CP565 letter is more than three years old at closing.</li> <li>If the ITIN is expired, one of the following must be provided: Transcripts showing tax returns filed within the last three years using the ITIN (does not apply to alt doc income types); E-file receipt or letter from a Tax Preparer confirming the borrower's most recent return has been filed with the IRS; or fully executed IRS W7 renewing the ITIN including agent signature.</li> </ul> </li> </ul> </li> <li>A U.S. credit report must be obtained for each borrower using the valid ITIN number. <ul style="list-style-type: none"> <li>Limited tradelines are not permitted. The primary wage earner must meet the requirements for Standard Tradelines.</li> </ul> </li> <li>Full Income Documentation and Alternative Income Documentation types are permitted. <ul style="list-style-type: none"> <li>When required, 4506-C must be executed and processed using the borrower's ITIN number. See IRS 4506-C section in Employment/Income Documentation for processing requirements.</li> </ul> </li> <li>Non-occupant co-borrowers permitted on primary residence transactions. The non-occupant co-borrower must be a relative, defined as the borrower's spouse, fiancé, domestic partner, parent, grandparent, sibling, child or other dependent, who is related to the borrower by blood, marriage, adoption, or legal guardianship.</li> <li>The following are ineligible: <ul style="list-style-type: none"> <li>Limited tradelines</li> <li>ITIN borrowers with income documentation referencing a SSN</li> </ul> </li> <li>The above requirements apply when any borrower on the loan application is using an ITIN.</li> <li><b>For ITIN borrowers using a gift of equity, a 5% LTV reduction is required in lieu of using cash out LTVs</b></li> </ul>
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## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### GENERAL, continued

Age of Documents	The Title Report and Closing Protection Letter (CPL) must be dated within 90 days of closing. All other loan documentation, including appraisal, credit report, income, and asset documentation, must be dated within 120 days of closing.
Loan Terms Available	30-year Fixed, 40-year Fixed, 5/6 ARM, 7/6 ARM, 5/6 ARM-IO, and 7/6 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 insurance escrows may be waived with FICO $\geq$ 700 and LTV $\leq$ 80%. DC loans: Property tax and 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.
HPML/ Section 35 loans	HPML loans (Section 35) are permitted. Federal Section 35 High Priced Test (allowed if all 4 items below are met): <ol style="list-style-type: none"> <li>1. Loan is Impounded (escrows)</li> <li>2. No Pre Payment Penalty</li> <li>3. Ability to Repay has been verified</li> <li>4. Full Appraisal Done on the Property</li> </ol> <p>HPML flip transactions require a second appraisal from a different certified or state licensed appraiser. Refer to the See Carrington Flexible Advantage Underwriting Guidelines for additional information.</p>

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

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#### GENERAL, continued

QM Fees	Limited to the Section 32 - 5% Limit
Ineligible States	<b>Retail and Wholesale:</b> Massachusetts and primary residence properties in New Hampshire are ineligible. <b>Correspondent:</b> All States are eligible. Primary residence properties in New Hampshire are ineligible. Interest Only loans not permitted in West Virginia.
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 Homes: Loans must pass the NY Subprime test. Investment Properties: Minimum Loan Amount = \$100,000. NY CEMA Loans are permitted (NY CEMA not eligible for CMS Correspondent channel)
Ability to Repay (ATR)	Fully Compliant (DTI>43% program follows all other ATR requirements) <ul style="list-style-type: none"> <li>Fully Documented Income</li> <li>Full Appraisal</li> <li>Escrows required for taxes and insurance</li> <li>No Prepayment Penalty</li> </ul>
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.



# Product Matrix

## Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



### GENERAL, 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 and a 12-month housing history are required.
- 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: Obtain the most recent lease agreement(s) for rental properties and proof of receipt at the current lease rate using a cancelled check or bank statement. Calculate the qualifying rents by using 75% of the current lease minus the full PITIA.

The following documentation is required:

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

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### GENERAL, continued

Self-employed 1099 Income Documentation	<p>Borrowers with self-employment earnings on IRS Form 1099 may provide 1 or 2 years 1099 statements. The following restrictions apply:</p> <ul style="list-style-type: none"> <li>• Borrowers must be self-employed for at least two (2) years verified by two (2) years of business licenses or a CPA letter.</li> <li>• Business must be in existence for at least two (2) years.</li> <li>• Standard Trade Lines are required.</li> <li>• Foreign Nationals are ineligible. Exceptions are not permitted.</li> <li>• IRS form 4506-C must be processed for 1 or 2 years 1099 forms</li> <li>• Multiple 1099 forms from different industries will be reviewed independently as separate businesses. For example, a borrower with earnings from Rideshare and IT Consulting must have a two-year history in each line of work to consider earnings from both sources.</li> <li>• Evidence of a decline in earnings may result in disqualification</li> <li>• Year-to-Date earnings must support the qualifying income calculated per instructions below. YTD earnings must be documented with one of the following, utilizing the most recent documentation available as of the loan application date: <ul style="list-style-type: none"> <li>○ YTD Profit &amp; Loss statement prepared by a licensed or registered CPA or tax preparer. Net monthly earnings on the P&amp;L must not be more than 10% less than qualifying net income of the previous 1 or 2 years.</li> <li>○ Earnings Statement with YTD income or Pay Stub with YTD income from the Payer listed on the 1099 forms. Gross earnings on the YTD Earnings Statements must not be more than 10% less than gross monthly 1099 earnings.</li> <li>○ Most recent two (2) months bank statements, earnings statements without YTD income, or pay stubs without YTD income. Earnings statements or pay stubs must come from the Payer listed on the 1099 forms. Gross deposits or earnings on bank statements, earnings statements, or pay stubs must not be more than 10% less than gross monthly 1099 earnings.</li> </ul> </li> <li>• Expense factor must be considered, refer to Carrington Flexible Advantage Plus (CFA+) Guidelines for full details.</li> </ul>
Self-employed P&L Income Documentation	<p>Borrowers with self-employment earnings may submit 12 or 24 months Profit and Loss (P&amp;L) statements. The following restrictions apply:</p> <ul style="list-style-type: none"> <li>• Borrowers must be self-employed for at least two (2) years verified by two (2) years of business licenses or a CPA letter.</li> <li>• Business must be in existence for at least two (2) years.</li> <li>• Foreign Nationals are ineligible. Exceptions are not permitted.</li> <li>• Documentation must be provided to show the borrower's percentage of business ownership. Qualifying income will be multiplied by the percentage of profits that the borrower is entitled to.</li> <li>• Standard Trade Lines are required.</li> <li>• IRS form 4506-C is not required for income documented with profit and loss statements.</li> <li>• The borrower or tax preparer must provide a signed letter of explanation describing the nature of the business, how income is generated, and how long the business has been in existence.</li> <li>• Multiple businesses are permitted, P&amp;L statements must be supplied for each business and each business must have been in existence for at least two (2) years.</li> <li>• Evidence of a decline in earnings will require additional evaluation by the underwriter and may result in disqualification</li> <li>• Profit and Loss statements must be provided for the most recent 12 or 24 months, refer to CFA+ Guidelines for full details.</li> </ul>

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

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#### GENERAL, continued

Written Verification of Employment Alternative Income Documentation	<p>A Written Verification of Employment may be used to calculate income for borrowers qualifying with wages from base pay/salary, overtime, bonus, tips, and commissions, subject to the following requirements:</p> <ul style="list-style-type: none"> <li>Borrower must be employed by the same employer for a minimum of two years.</li> <li>The Written VOE must be obtained directly by CMS from an automated or third-party service, such as Equifax The Work Number, CoreLogic AutomatiQ, Veri-Tax, etc., and include income data.</li> </ul> <p><b>Note:</b> CMS may issue an initial decision using a hand-written or TPO-provided Written VOE, but must obtain an automated or third-party Written VOE directly from the service provider for the final income calculation.</p> <ul style="list-style-type: none"> <li>Income labeled as "Other" or similar on the Written VOE will require a year-to-date and year-end itemization from the employer or pay stubs in order to use for qualifying.</li> <li>W-2s and pay stubs are otherwise not required.</li> <li>Tax returns, transcripts, and 4506-C are not required unless the borrower is qualifying with additional forms of income like interest, dividends, capital gains, etc.</li> <li>Self-employment, employment by a family member, and foreign income are not eligible.</li> </ul> <p>Borrowers who receive rental income as a secondary income source may utilize Written VOE Documentation for calculating employment-related 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.</p>
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	<p>Allowed.</p> <p><b>Note:</b> if a non-occupant co-borrower is the primary wage earner, their credit score will be used for qualifying purposes.</p>
Power of Attorney	<p>CMS will permit a Limited Power of Attorney (POA) when the following requirements are met:</p> <p>POA is specific to the transaction, recorded with the Mortgage/Deed of Trust, contains an expiration date, used only to execute the final loan documents, Borrower who executed the POA signed the initial URLA, no interested party to the transaction (such as property seller, broker, loan officer, realtor, etc.) may act as Power of Attorney, not permitted on cash-out transactions, and not permitted on Texas Home Equity transactions.</p>

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



#### GENERAL, continued

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 36-month period. When all borrowers are First Time Investors, maximum LTV depends on qualifying FICO: <ul style="list-style-type: none"> <li>FICO 680+: 70% LTV</li> <li>FICO &lt; 680: 65% LTV</li> </ul>
First Time Homebuyers	Verification of 12-months' rent required via cancelled checks or bank statements. 6 months reserves from borrower's own funds required.
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 - Prepayment penalties may only be applied to Investor Loans. Please refer to the state-specific matrices for details.
TEXAS HOME EQUITY LOANS	
Loan to Value	Use the cash out LTVs listed above.
Property Characteristics	All properties must be residential in nature. Tax certification and exemptions for the property are to be reviewed and must meet the following requirements: <ul style="list-style-type: none"> <li>Property must be a principal residence constituting the borrower's homestead in state of Texas.</li> <li>The homestead property may not exceed the applicable acreage limit as determined by Texas law.</li> <li>All separate structures must be included in the homestead exemption.</li> <li>The homestead parcel, as identified on the county appraisal district records, must include ingress/egress to a properly identified public road.</li> </ul> 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.
Occupancy	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.
Ineligible Property Types	2-4 Units, Second Homes, Investment Properties
Restrictions	<ul style="list-style-type: none"> <li>A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50 (a)(6).</li> <li>There can only be 1 outstanding Texas (a)(6) loan on the property at any time.</li> <li>The borrower must pay-off an existing Texas (a)(6) second lien if they are getting cash-out from the first mortgage.</li> <li>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.</li> <li>The 50(a)(6) loan may not be used to acquire the property or to finance construction.</li> </ul>

# Product Matrix

## Carrington Flexible Advantage Plus Program

Program Codes – See Table

Version 10.1 – 04/16/25



TEXAS HOME EQUITY LOANS (CONTINUED)	
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><b>Please note:</b> Texas Conversion loans are excluded from the 2.00% fee limitation.</p>
Loan Parameters	<p>The following are considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> <li>Loans using proceeds to pay off an existing 50(a)(6) loan (as identified in title work)</li> <li>Loans using proceeds to pay off federal tax debt liens</li> <li>Loans using proceeds to pay property tax liens on the property securing the new loan</li> <li>Loans using proceeds to pay off or pay down debts that are not secured by the homestead property</li> <li>Loans with any cash back to the borrower</li> </ul> <p>The following are <b>NOT</b> considered Texas Section 50(a)(6) loans:</p> <ul style="list-style-type: none"> <li>Loans using proceeds to pay current taxes due on the property securing the loan</li> <li>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.</li> </ul> <p><b>Note:</b> 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"> <li>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)</li> <li>Loans that include the payment of HOA dues, if title company requires them to be paid</li> <li>Rate/Term refinance loans that include the payment by the lender of reasonable closing costs in the loan amount are acceptable.</li> </ul>
Title	<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"> <li>excludes coverage for a title defect that arises because financed origination expenses are held not to be "reasonable costs necessary to refinance"; or</li> <li>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.</li> </ul> <p>Loans must be closed in a Texas title company's office or attorney's office. No mobile notaries or eClosings are permitted.</p>

## Product Matrix

### Carrington Flexible Advantage Plus Program

Program Codes – See Table

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TEXAS HOME EQUITY LOANS (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"> <li>• CMS may not require any other CMS-owned debt be paid off as part of the transaction as a condition of loan approval.</li> <li>• 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.</li> <li>• 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.</li> </ul>
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.</p> <p>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.</p> <p>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"> <li>• The borrower(s) must sign "<b><i>Borrower's Certification of Receipt of Settlement Statement and Accuracy Thereof</i></b>" (also called <b><i>Acknowledgement of Itemization of Fees, Points, Interest, Costs and Charges for Texas Home Equity Loan or Line of Credit</i></b> at closing.</li> <li>• Both spouses must execute the mortgage; however, both spouses are not required to be parties to the promissory note. All borrowers and their spouses (including non-titled spouses) must sign the Security Instrument, TIL, Right of Rescission, if applicable and the <b><i>Texas Notice Concerning Extensions of Credit</i></b>.</li> <li>• Borrower(s) must be provided a copy of all documents at closing and sign the <b><i>Acknowledgement of Receipt of Copies</i></b>. The documents may not contain any blank spaces.</li> <li>• All loans must contain a Texas Attorney Representation letter</li> <li>• All borrowers must attend the closing and execute the documentation in person at the closing.</li> <li>• Texas Acknowledgement Regarding the Fair Market Value of Homestead Property - LO/Broker and Borrower must sign form</li> <li>• Texas Home Equity Affidavit Agreement - Borrower acknowledgement that copies of all documentation was provided</li> <li>• Discount Point Disclosure - Borrower signs if discount points were paid by the borrower</li> <li>• All individuals on title must be a borrower or the spouse of a borrower.</li> </ul>

## Product Matrix

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TEXAS HOME EQUITY LOANS (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"> <li>• Borrower submits loan application, or</li> <li>• Borrowers receive a copy of the required Texas Notice Concerning Extensions of Credit.</li> </ul> <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"> <li>• Second lien must be re-subordinated</li> <li>• Maximum 80% CLTV</li> </ul> <p>Second lien may not be a HELOC or a reverse mortgage</p>
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 Flexible Advantage Plus Program

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#### PROGRAM CODES

Product Code	Loan Program Description
NE3056A	Flexible Advantage Plus - 30 Year - 5/6 SOFR ARM
NE3056AIO	Flexible Advantage Plus - 30 Year - 5/6 SOFR ARM IO
NE3076A	Flexible Advantage Plus - 30 Year - 7/6 SOFR ARM
NE3076AIO	Flexible Advantage Plus - 30 Year - 7/6 SOFR ARM IO
NE30F	Flexible Advantage Plus - 30 Year Fixed
NE4056A	Flexible Advantage Plus - 40 Year - 5/6 SOFR ARM
NE4076A	Flexible Advantage Plus - 40 Year - 7/6 SOFR ARM
NE40F	Flexible Advantage Plus - 40 Year Fixed