

## Product Matrix

### Carrington Investor Advantage Program

Program Codes: N30FINVADV, N51AINVADV, N101AINVADV

Version 2.0 – 01/17/19



### Investor Advantage Matrix

Investor Advantage		Minimum Debt Coverage Ratio 1.00	
Loan Amount	FICO	Purchase & R/T	Cash Out
≤ \$1,000,000	720	80%	75%
	680	80%	75%
	620	75%	65%
\$1,000,001 up to \$2,000,000	720	75%	65%
	680	70%	65%
	620	65%	60%
Mortgage/Rental History		1x30x12	
Foreclosure Seasoning		24 Months	
Short Sale/DIL Seasoning		24 Months	
Chapter 13 BK Seasoning		24 Months (Discharged or Dismissed)	
Chapter 7/11 BK Seasoning		24 Months	

Program Parameters	
Limits	
Minimum Loan Amount	\$100,000
Maximum Loan Amount	\$2,000,000
Maximum Cash Out LTV > 75%	\$500,000
Maximum Cash Out LTV ≤ 75%	\$750,000
Product Types	
30-Year Fixed, 5/1 ARM and 10/1 ARM	
ARM Margins and Caps	
Margin: 6% - Caps: 5/1 - 2/2/5, 10/1 - 5/2/5	
Index: 1 Year LIBOR	
Floor Rate is the Note Rate	
Additional LTV Limits	Max LTV
Non-Warrantable Condominium	75%
2-4 Units	75%
Unleased Subject Prop (Refi Only)	70%
First-Time Investor	70%

Additional Program Requirements	
Occupancy	Investment Properties Only
Residual Income	Residual Income not required on Investment Properties.
Seller Concessions	Up to 2% toward closing for Investment Properties.
Reserves	There is no reserve requirement for the Investor Advantage Program.
Secondary/Subordinate Financing/Payoff	Not Permitted.
Debt Coverage Ratio (DCR)	Debt Coverage Ratio (DCR) = Gross Rental Income / Monthly PITIA Payment. Minimum DCR = 1.00
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 - 70%

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### Guideline Requirements

#### COLLATERAL

General	Property must be in average or better condition. C4 and Q4. Properties with a condition rating of C5 or C6 are not acceptable. Deferred maintenance is allowed provided the neglected item is not structural in nature (as noted by the appraiser). Deferred items may be left “as is” if the aggregate cost to cure the deficiency does not exceed \$2,000 or impact the safety or habitability of the property.
Appraisal	1 Full appraisal required. Exterior and Interior inspection. Color photographs required. Loan Amount ≥ \$1,500,000 requires a 2nd Full Appraisal.
Appraisal Review	The Appraisal Review Process requires CMS to obtain a secondary appraisal desk review product to support the appraisal value for all transactions. Acceptable review products include: <ul style="list-style-type: none"> <li>• Desk Review (must contain a value and comparative sales data to support the valuation result) or</li> <li>• Clear Capital Collateral Desktop Analysis (CDA)</li> </ul>
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Condo Warrantable and Non-Warrantable	All condominiums must have a valid project review along with a completed CMS Homeowners’ Association Certification (InterIsland HOA Questionnaire). ATTACHED CONDOS: Appraisal must contain 2 comparable sales from subject’s project in addition to the current comparable sale requirements. See 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, Non-Warrantable Condominiums, Townhouse, 2-4 Unit Properties, Modular Homes
Ineligible Property Types	Co-ops, Condotels, Manufactured, Unique Properties, Mixed Use properties, Leaseholds, Rural Properties, Log Homes, Agriculturally Zoned, Properties that provide income to borrower, Farms or Hobby/Working Farms, Properties with oil, gas, or mineral rights, Builder Model Leaseback, Non-Conforming zoning regulations that prohibit rebuilding, Properties subject to Rent Control regulations. <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. Transaction must comply with HPML flip rules, see Carrington Investor Advantage Program Guidelines for specifications.
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.

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### TYPES OF FINANCING

General Refinance Requirements	<p>Rate/term refinance and cash-out refinance transactions are allowed.</p> <p>All investment property refinances require an appraisal review product. See Appraisal Review Process for detailed requirements.</p> <p><b>Determining Loan-to-Value</b></p> <p>If the property was acquired &gt; 12 months from application date, the appraised value must be used to determine loan-to-value.</p> <p>If the property was acquired &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>
Rate & Term Refi/ Limited Cash Out	<p>No seasoning of first mortgage.</p> <p>If value has increased more than 15%, photos of improvements are required.</p> <p>Maximum cash in hand is the lesser of 2% of the principal of the new loan amount or \$2000.</p> <p>Closing Disclosure (CD) or HUD-1 settlement statement, as applicable 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 occupancy. For cash-out transactions, if the subject property was listed for sale in the 6 months prior to application date, a 10% LTV reduction from the maximum available for the specific transaction is required. <b>The lesser of the most recent list price or the current appraised value should be used to determine loan-to-value for both rate/term or cash-out transactions.</b></p>
Cash-out Refinance	<p>For all cash-out refinance transactions, a minimum of 6 months must have elapsed since the most recent mortgage transaction on the subject property (either the original purchase transaction or subsequent refinance). Note date to note date is used to calculate the 6 months. There is no waiting period if the borrower acquired the property through an inheritance or was legally awarded the property through divorce, separation, or dissolution of a domestic partnership.</p>
Cash Out	<p>Maximum Cash Out Amounts: LTV &gt; 75% = \$500,000; LTV ≤ 75% = \$750,000</p> <p>Cash Out proceeds can be used for 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>
All Refinances	<p>All refinance transactions must have Net Tangible Benefit to Borrower and Continuity of Obligation.</p>
Non-Arm's Length Transactions	<p>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.</p>
Construction-to-Perm	<p>Not permitted</p>
Texas A(6) Refinances	<p>Not permitted</p>

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### CREDIT

<p>Minimum Credit History</p>	<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>
<p>Limited Tradelines</p>	<p>Not permitted</p>
<p>Non-Traditional Credit</p>	<p>Not permitted</p>
<p>Evidence of Primary Residence</p>	<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; or</li> <li>○ General appeal and location of primary is superior to subject property</li> </ul> </li> </ul>
<p>Mortgage/ Rental History</p>	<p>See Grade Determination above.</p> <p>Mortgage and rental payments not reflected on the original credit report must be documented via an institutional Verification of Rent or Verification of Mortgage (VOR/VOM). A combined total of all late mortgage and rental payments in the past 12 months must be used to determine the housing history.</p> <p>If the borrower is making payments to an individual or interested party, 12 months of cancelled checks or bank statements must be obtained. A VOR/VOM is not required but may be requested for clarification.</p> <p>All mortgages and rental payments should be current at time of closing. If the credit report or VOR/VOM reflects a past-due status, updated documentation is required to verify account is current.</p>

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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).
Late Payments - Consumer Debts	This Late Payments section applies to every credit account that is not a mortgage or home equity loan. E.g. revolving/installment accounts. <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. <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.
All Bankruptcy	24 Months Seasoning whether Discharged or Dismissed; see Matrix Above.
Short Sale/ Foreclosure/ Deed-in-Lieu/ Modification	24 Months Seasoning; see Matrix Above.
Collections/ Charge Offs	The following accounts may remain open: <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> Collection and charge-off balances exceeding the amounts listed above must be paid in full.
Judgments/Liens	Judgments and tax liens must be paid off prior to or at closing
IRS Taxes Owed (No Lien)	For IRS taxes owed and no lien is present all of the following requirements must be met: <ul style="list-style-type: none"> <li>• A copy of the repayment agreement is obtained;</li> <li>• A minimum of 3 months has elapsed on the plan and evidence of timely payments for the most recent 3 months is provided.</li> </ul>
Minimum FICO	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. 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.

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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 must be deducted from the sales price before calculating the LTV/CLTV. Financing concessions are not permitted.
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### GENERAL

Age of Documents	120 days
Loan Terms Available	30-Year Fixed, 5/1 ARM, 10/1 ARM
Qualifying	ARM loans: Qualify at Note rate
Escrow Waivers	Permitted
Assumptions	Not Permitted

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### GENERAL, continued

High-Cost HOEPA Section 32 (Fed/State)	Not permitted. States may impose different definitions of points and fees, rate, or APR than apply under HOEPA. States may also use different triggers in each category for determining whether a loan will be a "high-cost mortgage" (or equivalent terms) under state law. CMS does not originate loans defined as high-cost mortgages (or equivalent terms) under Federal or state law, regardless of the basis for the loan's treatment as such.
QM Fees	Limited to the Section 32 5% Limit
Ineligible States	Massachusetts; North Dakota
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 70% 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 <b>for Investment Properties and may only be charged when permissible by State law.</b> <b>Note: A Business Purpose Affidavit must be executed at closing if a prepayment penalty is charged.</b>
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>