Product Guidelines

CONVENTIONAL CONFORMING TEXAS HOME EQUITY

PROGRAM CODES: C30FTX, C25FTX, C20FTX, C15FTX, C10FTX

Version 4.0 – 04/08/22

Carrington mortgage services, llc

RATE/TERM REFINANCE AND CASH OUT - FIXED RATE									
Occupancy		Max Loan Amount	Maximum LTV	Maximum CLTV	Min FICO	Max Ratios	Minimum Cash Investments	Mortgage/Rental History	Reserves
Primary	1 Unit	$647,200	80%	80%	620	AUS Approved Eligible / Approved Accept - Up to 50% Maximum DTI	NA	Evaluated by AUS	NA

MANUFACTURED HOUSING			
Occupancy		Loan Purpose	Max LTV/CLTV/HCLTV
Primary	1 Unit	Rate/Term Refinance	80%
Primary	1 Unit - Max Term ≤ 20 Years	Cash Out	65%

CONVENTIONAL Underwriting Guidelines Requirements (Loan MUST be submitted through AUS)	
COLLATERAL	
Appraisal	A new full appraisal, interior and exterior inspections, is required even if DU recommends a different property valuation or an Appraisal Waiver. Transferred appraisals are permitted with proof the appraisals comply with Appraisal Independence Requirements (AIR). If the appraisal report is marked "subject-to" a final inspection 1004D will always be required, processor certifications will not be accepted in lieu of.
Appraisal Waivers	Appraisal Waivers are not permitted regardless of the AUS recommendation. Early Check will hard stop loan delivery. Special Feature Code 801 “Property Inspection Waiver” is not permitted under Texas Section 50(a)(6).
Second Appraisals	When a new appraisal is obtained, CMS must document the deficiencies that are the basis for ordering the new appraisal and select the most reliable appraisal. CMS must either document the resolution of the noted deficiencies in the original appraisal or detail the reasons for relying on a second opinion of market value.
Appraisal Updates	Permitted. Follow guidelines and acceptable extension dates. The appraisal may be no older than 240 days at closing with an appraisal update.
Appraisal Acknowledgment	Borrowers must acknowledge that they received all appraisal reports 3 days prior to close.

COLLATERAL, continued	
Property Condition	Minor conditions and deferred maintenance are 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. Condition Ratings C1, C2, C3, C4, and C5 are eligible for delivery in "as is" condition. Properties with a Condition Rating of C6 are eligible for sale to Fannie Mae provided any deficiencies that impact the safety, soundness, or structural integrity of the property are repaired prior to delivery of the loan.
Eligible Property Type	1-Unit, Condo's, Modular Homes, and PUD's, Maximum 10 acres of land that is urban or suburban property - nonagricultural.
Ineligible Properties	Co-ops, Land Contracts, On-frame modular construction, Single wide manufactured homes, Boarding houses, Bed and Breakfast properties, properties that are not suitable for year-round occupancy regardless of location, agricultural properties, such as farms or ranches, properties that are not readily accessible by roads that meet local standards, vacant land or land development properties, properties serviced by hauled water, properties encumbered with Property Assessed Clean Energy (PACE) or Home Energy Renovation Opportunity (HERO) obligations, State-approved medical marijuana producing properties, properties with more than one dwelling unit where one or more of the units (includes accessory dwelling units) is a manufactured home, properties located on Tribal Lands which include section 184, and properties with water sourced by a river. See complete ineligible property list in CMS CONV guidelines.
Maximum Number of Financed Properties	For second home and investment property transactions - FNMA is the Agency that allows for up to 10 properties (financed means the # of properties not the number of loans on it), **FNMA requires a 720 Fico for this feature.** DU cannot count the number of properties so the lender must apply the 720 FICO restriction manually to the file.
Condo	All condos must be warranted and must have completed warranty forms. Acceptable condo project approvals are PERS approval, Lender Full Review completed by InterIsland, and Limited Review (DU). **Not eligible**: Condotels, including projects that allow short-term rentals, vacation rentals, timeshares, or segmented ownership. Condo projects that have resort-type amenities such as restaurants, room service, maid service, central telephone or key systems, or share facilities with a hotel, Condo projects restricting owner's ability to occupy, Condo projects that do not contain full-sized kitchen appliances, Nonresidential use exceeding 25%, Pending litigation, Cooperative projects, Project with multi-dwelling units: A project in which an owner may hold a single deed evidencing ownership of more than one dwelling unit, Project with excessive commercial or non-residential space, Tenancy-in Common apartment project **Limited Review**: Primary Residence = LTV 90% or below **Full Review**: All established projects not eligible for Limited Review. All manufactured housing projects require a Fannie Mae PERS Review or a Full Review. All new projects (see exceptions requiring PERS approval below). **PERS Review:** The standard PERS submission MUST be used for newly converted non-gut rehabilitation projects consisting of more than four attached units and new condo projects consisting of manufactured homes.
Property Repairs	All property repairs must be completed prior to closing, no exceptions. Escrow holdbacks are not permitted.

TEXAS HOME EQUITY REQUIREMENTS	
General Requirements	A copy of the current mortgage or note is required to determine the previous terms are not subject to Texas Section 50 (a)(6). There can only be one (1) outstanding Texas (a)(6) loan on the property at any time. The borrower must pay off an existing Texas (a)(6) second lien if they are getting cash-out from the first mortgage. There is a 12-month seasoning requirement for any Texas Section 50(a)(6) loan (first or second). There is no seasoning requirement on first or second mortgages that are not Texas 50(a)(6) loans. Total fees paid by the borrower (excluding prepaids, discount points used to buy down the interest rate, appraisal costs, survey costs, lenders title insurance premiums and title endorsements) cannot exceed 2% of the principal balance. The 2% cap includes fees paid to the lender, broker, or any third party which includes: • Credit report fees, recording fees, origination fees, etc. • If closing costs are greater than 2%, fees must be reduced prior to closing. **Please note:** Texas Conversion loans are excluded from the 2.00% fee limitation.
Rate/Term Finance Requirements	The loan is rate/term refinance if the first mortgage being paid off is a Texas 50 (a)(6) loan and the borrower is not getting any cash back. A second mortgage that is not a Texas 50 (a)(6) loan that was used in whole to acquire the subject property may be paid off. The loan amount may include: • Payoff of the outstanding principal balance of existing first loan, plus any required per diem interest. • Closing costs, prepaid costs and discount points. • Delinquent taxes/escrow shortage and late fees cannot be included in the loan amount; borrower must pay using own funds. • No cash back to the borrower. The Final Closing Disclosure are required from any prior transaction The subject loan is considered a cash-out refinance if: • The previous transaction combined a first and non-purchase subordinate lien into a new first or subsequent refinance of that loan within the past 6 months. • The current transactions pays off a first mortgage and a subordinate lien not used to purchase the property.
Texas Conversion (Refinance) Transactions	Refer to the Conventional program matrix for the requirements to convert (refinance) a Texas 50(a)(6) loan to a Rate/Term loan.
Cash-Out Requirements	One borrower must have held title to the subject property for at least 6 months (measured from previous note date to subject note date). For a manufactured home, the borrower must have held title to both the manufactured home and land for at least 12 months preceding the date of the loan application. Loan is considered a cash-out refinance if: • Paying off a first and/or second mortgage that is not Texas 50(a)(6) and is getting cash-out. • Paying off a first mortgage that is a Texas 50(a)(6) loan, is not getting any cash out and is paying off a second lien that is not a Texas 50(a)(6) loan, which was not used in whole to acquire the subject property. • Paying off a first mortgage that is not a Texas 50(a)(6) loan and is paying off a second lien that is a Texas 50(a)(6) loan, and o The borrower is getting cash back from the refinance, or o The borrower is not getting cash out but is paying a second mortgage that was not used in whole to acquire the subject property.

TEXAS HOME EQUITY REQUIREMENTS, continued	
Additional Texas 50(a)(6) Requirements	The borrower(s) must be provided a complete and accurate copy of the Final URLA, no later than one (1) business day prior to loan closing. The borrower(s) must be provided a complete and accurate copy of the Final Closing Disclosure no later than 1 business day prior to loan closing. The following Subsections of the Closing Disclosure: A. (Origination Charges), B. (Services Borrower Did Not Shop For), C. (Services Borrower Did Shop For), E. (Taxes and Other Government Fees), or H. (Other) cannot change, either up or down, from the Closing Disclosure the borrower(s) acknowledged at least one (1) business day prior to the closing. If a change occurs, a new Closing Disclosure must be provided and acknowledged by the borrower(s) at least one (1) business day prior to the closing. • The borrower(s) must sign "***Borrower's Certification of Receipt of Settlement Statement and Accuracy Thereof***"" (also called ***Acknowledgement of Itemization of Fees, Points, Interest, Costs and Charges for Texas Home Equity Loan or Line of Credit*** at closing. • Both spouses must execute the mortgage; however, both spouses are not required to be parties to the promissory note. All borrowers and their spouses (including non-titled spouses) must sign the Security Instrument, TIL, Right of Rescission, if applicable and the ***Texas Notice Concerning Extensions of Credit***. • Borrower(s) must be provided a copy of all documents at closing and sign the ***Acknowledgement of Receipt of Copies***. The documents may not contain any blank spaces. • All loans must contain a Texas Attorney Representation letter • All borrowers must attend the closing and execute the documentation in person at the closing. • All individuals on title must be a borrower or the spouse of a borrower.
12 Day Waiting Period Requirements	Closing documents may NOT be signed before the later day of the following: • Borrower submits loan application, or • Borrowers receive a copy of the required Texas Notice Concerning Extensions of Credit. 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. 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.
Calculating the Texas 12 Day Waiting Period	Count 12 calendar days after the borrower receives the Notice (do NOT count the day the borrower receives the Notice). If the 12th day falls on a Saturday, Sunday, or Holiday - Move to the next business day.
Additional Documentation Requirements	1. Texas Notice Concerning Extensions of Credit - 50(a)(6) 12 Day Notice 2. Texas Acknowledgement Regarding the Fair Market Value of Homestead Property - Lender and Borrower must sign form 3. Texas Home Equity Affidavit Agreement - Borrower acknowledgement that copies of all documentation was provided 4. Discount Point Disclosure - Borrower signs if discount points were paid by the borrower 5. Acknowledgement of Itemization of Fees, Points, Interest, Costs, and Charges for Texas Home Equity Loan or Line of Credit - Must be signed at least 1 day prior to closing 6. Discount Point Disclosure - Borrower signs if discount points were paid by the borrower

TYPES OF FINANCING	
Delayed Financing	Allowed on cash-out transactions for borrowers who purchased the subject property within the previous six months. Refer to the CMS Conventional Lending Guide for additional requirements.
Secondary/Subordinate Financing	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. No new secondary financing permitted. Existing subordinate financing not subject to Section 50(a)(6) may be subordinated. No third liens permitted. HELOC not eligible for secondary financing.
All Refinances	Must have Net Tangible Benefit to Borrower.
Properties Listed for Sale	Properties listed for sale at the time of the application are not eligible.
CREDIT	
Manual Underwrite	Not permitted. Must receive DU Approve/Eligible
Bankruptcy	Chapter 13: Must be discharged > 2 years prior to application. BK discharge must be > 2 years seasoned. BK dismissal must be >4 years seasoned. Chapter 7: Must be discharged > 4 years prior to application. BK discharge must be > 4 years seasoned. BK dismissal must be > 4 years seasoned. Multiple Bankruptcy filings within past 7 years must be discharged/dismissed > 5 years. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible. Multiple BK filings - 5 years if more than one filing within the past 7 years ***Chapter 11 > 4 years prior to application***
Bankruptcy (with extenuating circumstances)	BK 7 or BK 11 - A two-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the discharge or dismissal date of the bankruptcy action. BK 13 - A two-year waiting period is permitted after a Chapter 13 dismissal, if extenuating circumstances can be documented. There are no exceptions permitted to the two-year waiting period after a Chapter 13 discharge. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible. Multiple BK filings - 3 years from the most recent discharge or dismissal date.
Mortgage Loans	The refinance of a mortgage loan in violation of bankruptcy code is not eligible. Documentation from the courts validating the mortgage debt was reaffirmed is required. A credit report is not valid confirmation that a debt has been reaffirmed.
Short Sale/Pre-Foreclosure/Deed in Lieu of Foreclosure	A four-year waiting period is required from the completion date of the deed-in-lieu of foreclosure, preforeclosure sale, or charge-off as reported on the credit report or other documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Short Sale/Pre-Foreclosure/Deed in Lieu of Foreclosure (with extenuating circumstances)	A two-year waiting period is permitted if extenuating circumstances can be documented. Note: Deeds-in-lieu and preforeclosure sales may not be accurately or consistently reported in the same manner by all creditors or credit reporting agencies. See Identification of Significant Derogatory Credit Events in the Credit Report above for additional information. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Collections/Charge Offs	Refer to AUS stipulations

CREDIT, continued	
Judgments/Liens	Outstanding judgments and liens must be paid at or prior to loan closing. All outstanding debt owed to a state or the IRS for income or property tax must be paid off, at or prior to Closing, regardless of whether or not the debt has become an actual lien. All state and IRS tax liens on the subject property and other properties are required to be paid whether or not they currently affect title. No payment plans or subordination is allowed. Documentation of the satisfaction of these liabilities, along with verification of funds sufficient to satisfy these obligations must be obtained.
Federal Income Tax Installment Agreements	The monthly payment amount may be included as part of the borrower's monthly debt obligations (in lieu of requiring payment in full) if no Federal Tax Lien has been filed against the borrower. Refer to CMS Conventional FNMA guidelines for additional requirements.
Foreclosure	A seven-year waiting period is required, and is measured from the completion date of the foreclosure action as reported on the credit report or other foreclosure documents provided by the borrower. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Foreclosure (with extenuating circumstances)	A three-year waiting period is permitted if extenuating circumstances can be documented, and is measured from the completion date of the foreclosure action. Additional requirements apply between three and seven years, which include: Maximum LTV, CLTV, or HCLTV ratios of the lesser of 90% or the maximum LTV, CLTV, or HCLTV ratios for the transaction per the Eligibility Matrix. The purchase of a principal residence is permitted. Limited cash-out refinances are permitted for all occupancy types pursuant to the eligibility requirements in effect at that time. Note: The purchase of second homes or investment properties and cash-out refinances (any occupancy type) are not permitted until a seven-year waiting period has elapsed. Loan MUST receive DU Approve/Eligible recommendation in order to be FNMA eligible.
Minimum FICO	CMS requires a minimum of one (1) reported credit score for each borrower with a trimerge credit report. Refer to the Mortgage Insurance section for additional requirements.
Debts/Minimum Payment	If the credit report does not show a required minimum payment amount and there is no supplemental documentation to support a payment of less than 5%, the lender must use 5% of the outstanding balance as the borrower's recurring monthly debt obligation. For DU loan casefiles, if a revolving debt is provided on the loan application without a monthly payment amount, DU will use the greater of $10 or 5% of the outstanding balance as the monthly payment when calculating the total debt-to-income ratio. For all student loans, whether deferred, in forbearance, or in repayment (not deferred), the lender must use the greater of the following to determine the monthly payment to be used as the borrower's recurring monthly debt obligation: 1% of the outstanding balance; or the actual documented payment (documented in the credit report, in documentation obtained from the student loan lender, or in documentation supplied by the borrower). If the payment currently being made cannot be documented or verified, 1% of the outstanding balance must be used.
30-day Charge Accounts	Open 30–day charge accounts require the balance to be paid in full every month. Fannie Mae does not require open 30–day charge accounts to be included in the debt-to-income ratio.
Mortgage History	Mortgage History evaluated by AUS
Long Term Debts	Revolving charge accounts and unsecured lines of credit are open-ended and should be treated as long-term debts and must be considered part of the borrower's recurring monthly debt obligations. The monthly payment on every revolving and open-end account with a balance must be included in ratio calculation. Accounts cannot be paid down to qualify, installments or Mortgage accounts must be paid in full. Payoff of revolving accounts in order to qualify the borrower is generally not allowed.

CREDIT, continued	
Court Ordered Debt	If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, and transfer of ownership of any related property has taken place, the payment may be excluded from long-term debt. The following documents are required: copy of the court order; and for mortgage debt, a copy of the recorded documents transferring ownership of the property (e.g.: Quit Claim Deed). If a transfer of ownership has not taken place, late payments associated with the loan repayment of the debt owing on the property should be taken into account when reviewing the Borrower's credit profile.
Soft pull expiration	120 days lender policy and procedure
Business Debt	If the Borrower is personally liable for a business debt, whether the debt is reflected on the Borrower's personal credit report or not, the Borrower is personally liable and the debt must be included in the debt-to-income ratios. If the Borrower can provide twelve (12) months' proof of payment/canceled checks drawn against a business account, this debt need not be included in the debt-to-income ratio.
Contingent Liabilities	A contingent liability may be disregarded if the Borrower provides conclusive evidence from the creditor that there is no possibility that the creditor will pursue debt collection against the Borrower should the other party on the debt default.
Disputed	DU will issue the disputed tradeline message. If it is determined that the disputed tradeline information is accurate and complete, the lender must ensure the disputed tradelines are considered in the credit risk assessment by either obtaining a new credit report with the tradeline no longer reported as disputed and resubmitting the loan casefile to DU. If DU does not issue the disputed tradeline message, the lender is not required to: further investigate the disputed tradeline on the credit report, obtain an updated credit report (with the undisputed tradeline).

INCOME/ASSETS	
Debt Ratios	Per AUS findings, must receive Approve/Eligible
Unacceptable Types of Income	Income based on trailing spouse income; Draw income; VA education benefits; Illegal income; Taxable income not listed on tax returns, any income that cannot be documented and/or verified; Passive income from partnerships and S corporations; Income that is not stable; and Grants.
Future Income	Permitted - borrower must provide a contract or employment offer prior to documents and a 30 day pay stub prior to funding.
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 even if not being used for qualification.
Rental Income from Other Real Estate Owned	Most recent signed federal income tax return required. Can use 12-month average from Schedule E for calculation. The full amount of the mortgage payment (PITIA) must be included in the borrower's total monthly obligations when calculating the DTI ratio.
Gifts	Follow FNMA Guidance: 1 Unit Primary Residences: no minimum borrower contribution is required. A gift can be provided by 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 be, or have any affiliation with, the builder, the developer, the real estate agent, or any other interested party to the transaction. If DU requires reserves, it can be gifted.
Verification of Deposits	Not permitted as standalone documentation – must be accompanied by computer printout or other statements directly from the banking institution.
Large Deposits	Purchase Money Transactions Only: Deposits >50% of the borrower's qualifying monthly income are considered large deposits and must be sourced.
Business Assets	Business Assets are allowed for down payment; however, the borrower must be the 100% owner of the Business. The effect on borrower's business must be established by the underwriter.
Custodial Accounts for Minors	These accounts are not an allowable asset for down payment, closing costs or reserves. Accounts that are in a minors name where the borrower is only the custodian of the funds are not eligible to be used for a transaction in closing costs, reserves or down payment.
Tax Return Transcripts / W2 Transcripts	When federal income tax information is used to document income for qualifying purposes, the lender may obtain transcripts of the applicable federal income tax documents directly from the IRS (or designee) by using IRS Form 4506-C. For example, the lender may obtain Tax Return Transcripts for Form 1040, 1040A or 1040EZ or Wage and Income Transcripts for W2s, 1098s, and 1099s. However, in certain instances, copies of the actual returns, schedules, or forms are needed because the tax return transcripts will not provide the detail required to qualify the borrower. For example, the lender must obtain copies of Schedules B through F, Schedule K-1, Form 2106, or business returns.

GENERAL	
Maximum Loan Amount	$647,200
Age of Documents	Must be <120 days old at time of closing. Appraisal must be <120 days old
Loan Terms Available	10, 15, 20, 25, 30 Year Fixed.
Qualifying Fixed Products	Qualify at Note Rate
Assumptions	Not permitted
Borrower Eligibility	Permanent and Non-Permanent Resident Aliens allowed with supporting documentation. Foreign Nationals or borrowers with Diplomatic Immunity are not permitted. Trusts are not permitted.
Co-Borrowers	All borrowers must occupy subject property.
Power of Attorney	Not permitted
Prepayment Penalty	Not permitted
Title Policy Requirement	Must include T42 and T42.1
Ineligible TX Section 50(a)(6) Mortgages	Loans that are not in first-lien position, ARM plans, HPML, and loans with temporary interest rate buydowns.
Ineligible Programs	Refi Plus, Homestyle/Homepath Renovations, Homestyle Energy, HomeReady Loans, Temp Buydown, Adjustable Rate and Interest Only Loan Programs.
Short Payoffs	Ineligible. FNMA will NOT accept a refinance transaction where the loan CMS is paying off was a Short Payoff.
DU Refi Eligible TX A6	All Texas Section 50(a)(6) mortgage requirements apply, including the following, which may be different than the standard DU Refi Plus requirements: • maximum 80% LTV and CLTV ratio; • minimum 12 months seasoning; one-unit principal residences only; a new full appraisal is required; title insurance requirements for Texas Section 50(a)(6) loans must be met.
High Balance Loans	The eligibility parameters for DU Refi Plus supersede those for the high-balance feature. The new loan may have a high-balance feature, subject to current loan limits.
Mortgage Insurance	Due to maximum LTV of 80%, Mortgage Insurance requirements do not apply.