



KEY NON-QM AND WHOLESALE LENDING TERMS

These definitions are simplified for editorial use. Legal, regulatory, investor, and program definitions control in an actual transaction.

Ability-to-Repay (ATR)

A federal standard requiring a reasonable, good-faith determination that a consumer can repay a covered mortgage according to its terms.

Alternative Documentation

A permitted method of documenting repayment capacity without relying only on traditional W-2s, pay stubs, and tax returns.

Asset Qualifier

A program that derives qualifying income from eligible assets after applying program-specific eligibility percentages, adjustments, reserves, and a divisor.

Bank Statement Loan

A loan that uses eligible deposits from personal or business bank statements to estimate income, commonly for self-employed borrowers.

Cash-Out Refinance

A refinance in which the new loan exceeds the debt being paid off and the borrower receives eligible proceeds.

Closed-End Second Lien

A lump-sum mortgage recorded behind a first lien and repaid over a defined term, unlike a revolving HELOC.

CLTV

Combined loan-to-value: total balances of mortgage liens divided by the property's value.

Correspondent Lending

A channel in which a lender originates and funds a loan, then sells it to another lender or investor.

DSCR

Debt service coverage ratio: qualifying rental income divided by the property's required housing debt under the applicable program.

DTI

Debt-to-income ratio: qualifying monthly debt obligations divided by qualifying monthly income.

FICO Score

A widely used credit score that summarizes information in a consumer's credit report; program thresholds and pricing vary.

Foreign National Loan

Financing for an eligible borrower who is not a U.S. citizen, using program-specific identity, residency, credit, asset, and income requirements.

Interest-Only (IO)

A payment period during which scheduled payments cover interest but do not reduce principal; later payments may increase.

ITIN

Individual Taxpayer Identification Number issued by the IRS to certain people who are not eligible for a Social Security number.

Jumbo Loan

A mortgage larger than the conforming loan limit applicable to its location and property type.

LTV

Loan-to-value ratio: the loan amount divided by the property's value, generally expressed as a percentage.

Non-QM

A mortgage that does not meet the regulatory definition of a Qualified Mortgage; it is not automatically subprime.

P&L Loan

A loan that uses an eligible profit-and-loss statement to support income qualification under program-specific requirements.

Qualified Mortgage (QM)

A mortgage meeting defined legal requirements that receives specified protections under the ATR/QM framework.

Rate-and-Term Refinance

A refinance primarily used to change the interest rate, term, or loan structure without material cash back beyond permitted limits.

Reserves

Eligible funds remaining after closing, commonly measured in months of required housing payments.

Seasoning

The required time that must pass after an event, account opening, ownership change, or prior transaction before eligibility.

TPO

Third-party originator: a mortgage broker or correspondent that originates loans through a wholesale lending relationship.

WVOE

Written Verification of Employment: documentation completed by an employer to verify employment and qualifying compensation.

1099-Only Loan

A program using eligible 1099 income and program-specific calculations instead of a traditional full-documentation income package.