



A PLAIN-LANGUAGE DEFINITION

Non-QM mortgages are loans that do not meet the regulatory definition of a Qualified Mortgage. They may use alternative ways to document income or evaluate property cash flow, but they are underwritten loans - not a synonym for subprime or no-document lending.

REPORTER SHORTHAND: Non-QM describes how a loan fits the QM rule. Subprime describes borrower credit risk.

WHAT NON-QM IS

A REGULATORY DISTINCTION

The loan does not satisfy every requirement for Qualified Mortgage status.

A BROADER UNDERWRITING PATH

Qualification may use bank deposits, 1099 income, assets, rental cash flow, or other permitted documentation.

SCENARIO-SPECIFIC

Credit, assets, reserves, property, occupancy, loan purpose, and documentation are evaluated together.

A WAY TO SERVE NONTRADITIONAL PROFILES

Common users include self-employed borrowers, real estate investors, high-net-worth clients, and foreign nationals.

WHAT NON-QM IS NOT

NOT AUTOMATICALLY SUBPRIME

A borrower can have strong credit and still need a Non-QM loan because income or property does not fit agency rules.

NOT NO-DOCUMENT LENDING

Modern programs generally require documentation matched to the selected qualification method.

NOT AUTOMATIC APPROVAL

Every loan remains subject to credit, collateral, program, investor, and underwriting review.

NOT OUTSIDE CONSUMER PROTECTION

When the ATR/QM rule applies, the creditor must make a reasonable, good-faith ability-to-repay determination.

COMMON BORROWER AND PROPERTY PROFILES

- Self-employed borrowers whose taxable income understates cash flow
- Independent contractors and other 1099 earners
- Investors qualifying through rental-property cash flow
- Borrowers with substantial eligible assets but limited traditional income
- Foreign nationals and ITIN borrowers where eligible
- Complex properties, larger loan amounts, or other non-agency scenarios