

Many Non-QM Borrowers Actually Look Eligible for GSE Loans

Inside Mortgage Finance – Brandon Ivey

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An analysis of non-qualified mortgages suggests that many of these borrowers have credit qualities strong enough to qualify for a mortgage that could be delivered to the government-sponsored enterprises. However, issues involving credit events and income documentation can disqualify the borrowers from conventional mortgages.

According to an analysis by Morningstar Credit Ratings, the weighted-average loan-to-value ratio for securitized non-QMs is 75.2 percent and the average debt-to-income ratio is 36.6 percent. The rating service noted that QMs (including agency and non-agency mortgages) have an average LTV ratio around 69.0 percent and an average DTI ratio around 32.3 percent.

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