

Create a Profitable Niche: Expand Your Customer Base With NewRez's Smart Series Non-QM Loans

SUMMARY/PREVIEW

As lending markets and demographics continually shift, a new breed of borrower is coming forth. A growing number of people seeking to buy or refinance a home do not meet the guidelines for a conventional loan, despite being financially worthy. Extending credit to these deserving borrowers can lead to a more vibrant marketplace.

Simply put, the housing market could benefit from greater diversity among mortgage products. Lenders who can adapt to changing consumer expectations and take advantage of emerging capabilities will find continued success. Non-QM loans represent an effective way for lenders to distinguish themselves, earn more referrals, and increase profitability.

As a proven market leader with extensive experience in the non-QM space, NewRez has risen to this challenge. With its **Smart Series**, NewRez has developed a portfolio of niche non-QM products designed for unique borrower situations.

This report will discuss the market factors that reveal why the time is ripe for offering innovative non-QM products, and present NEWREZ's unique solution for capitalizing on this timely opportunity. The Smart Series can help lenders effectively tap into a growing demographic and close more loans, all while ensuring a positive borrower experience.

THE MARKET

It's been 10 years since the housing crisis wreaked havoc on the economy. In the wake of the regulatory measures resulting from the crisis, non-QM loans are slowly making a comeback. But today's non-QM loans are more specialized, and can be a welcome source of revenue from borrowers who don't fit the traditional mold. It's important to realize:

Non-QM does not mean high-risk or subprime.

When you hear the term non-QM, it may bring to mind the type of careless lending that led to the subprime meltdown — when lenders extended credit to risky

borrowers without requiring a down payment or proof of income. While today's non-QM loans do not meet the stringent requirements of a Qualified Mortgage, they bear little resemblance to the subprime lending that was rampant prior to the housing crisis.

In other words, don't let the word "non" elicit a false impression. The fact is, non-QM loans typically require credit scores above 620. As a result of new underwriting standards, non-QM loans have a strong track record and tend to perform well.

There is a viable non-QM market.

Non-QM lending still represents a small percentage of the market — but it is growing rapidly, and there is more activity in the non-QM space than ever. In fact, non-QM lending has grown from virtually nothing to more than \$5 billion since 2014. Predictions suggest that non-QM lending could ultimately exceed \$100 billion. Clearly, a strong case can be made that there are new customers to be gained by offering loans that many other lenders choose not to originate.

For this reason, real estate professionals and investors are always looking for "solution-minded" mortgage originators who offer unique programs and products. In many cases, originators themselves desire easier ways to offer alternative loans, but may not have the resources to support it.

In light of these new demands and expectations, NewRez emerges as a trusted partner with the type of solutions this expanding market seeks. With its specialized portfolio of Smart Series loans, NEWREZ targets specific non-QM audience segments. These products are supported by a platform that streamlines operations for faster response times, effective communication, and informed decision-making.

THE PRODUCTS

NewRez has long been focused on qualifying and finding solutions for the toughest borrowers. This led to the development of a wide selection of non-agency/non-QM loans, collectively called the Smart Series. Now borrowers and originators have more choices and options to fulfill specialized needs within the market:

SmartSelf — for self-employed borrowers. This program allows for financing of up to \$3 million with the use of 12 months of bank statements and/or asset amortization to qualify. No tax transcripts or returns are required.

SmartEdge — an attractive jumbo mortgage for borrowers who are unable to secure traditional financing. SmartEdge allows for alternative income qualification, down payments as low as 10% and loan amounts up to \$3M.

SmartVest — for experienced real estate investors with multiple financed properties and complex finances. No tax transcript or tax returns are required, and up to 15 investment properties may be financed.

SmartFunds— for a diverse borrower group with qualifying assets. Features include loans up to \$3M, LTV up to 90%, no need for income or tax documentation, and no DTI calculation.

SmartCondo— an innovative loan for non-warrantable condo properties. With loans up to \$2.5M, a more lenient investor concentration, and 45% DTI permitted.

SmartTrac — for borrowers with a bankruptcy, short sale, or deed-in-lieu just over one year, or multiple late mortgage payments (30 days). This option offers a “second chance” to borrowers who don’t meet the requirements for other loans.

NewRez

Smart Series:

- Financing up to \$3 million
- Fixed and Adjustable-Rate loan terms with interest-only options
- Low down payment options
- Extensive income/asset qualification flexibility
- No MI needed
- Credit scores starting from 620

Smart Series Success Story

"My customer had a Bankruptcy and a Short Sale within the last two years but had 20% to put down. He didn't fit into any of our traditional programs and I was about to let him go before trying SmartTrac. His "Plan B" was to use a hard-money lender.

Nervous and skeptical, I sent the loan to underwriting as an Interest-Only 5/1 ARM at 6.625%. I was shocked when the loan came out in less than three days with minimal conditions. We are now talking to the customer about moving up the closing and closing sooner. I am still waiting for someone to call me and say, "ha, ha, just kidding." Smart Series has won me over fast. It is definitely a game-changer and I can now see how much it will be able to impact my business!"

- *Stanley*
Sales Manager, NewRez

CONCLUSION

When it comes to non-QM lending, there are signs of progress everywhere. Without question, that is good news on many fronts; capitalizing on the non-QM market can have far-reaching benefits within the industry. Offering more diverse mortgage products and extending credit to a broader pool of borrowers will help the housing market flourish for years to come.

NewRez is leading the way in this expanding market space. The Smart Series Loans make it possible to attract deserving buyers who have lost access to conventional mortgages. This is clearly an opportunity for resourceful originators looking to grow their business.

NewRez delivers a positive lending experience, from start to finish. Borrowers can expect the same level of service and expertise on non-QM products that they have come to expect from conventional financing. Ultimately, qualifying more borrowers through the Smart Series results in a clear competitive advantage in today's changing mortgage marketplace.

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