



Tom Davis

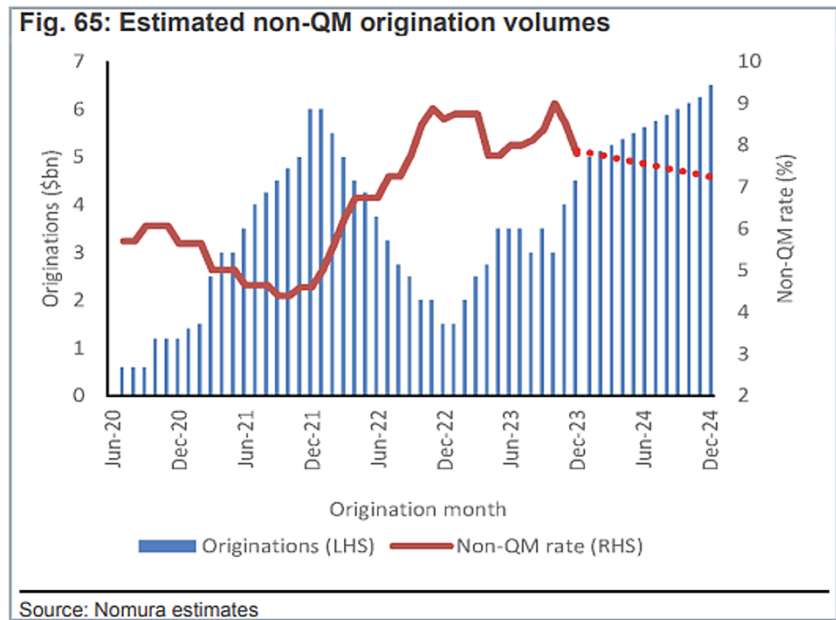
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Non-QM: A real opportunity for growth!

- 2024 Non-QM originations reached \$70B
- Non-Agency expected to hit \$200B+ in 2025, Non-QM originations forecasted to reach \$100B in 2025 and 2nd liens expected to reach \$60B
- Approximately 25% of 2024 purchase transactions were investor
- Number of self-employed workers has continued to rise over the last couple years, gig economy is strong
- HELOC and closed-end second production will continue to grow in 2025 and be one of the largest growth segments



Collateral characteristics by deal vintage

Vintage	Purchase	WA FICO	<700 FICO	>80 LTV	>40 DTI*
2019	56%	695	34%	38%	35%
2020	52%	692	33%	36%	35%
2021	56%	715	21%	28%	31%
2022	56%	722	18%	29%	32%
2023	63%	720	20%	32%	35%

Source: Corelogic, Nomura

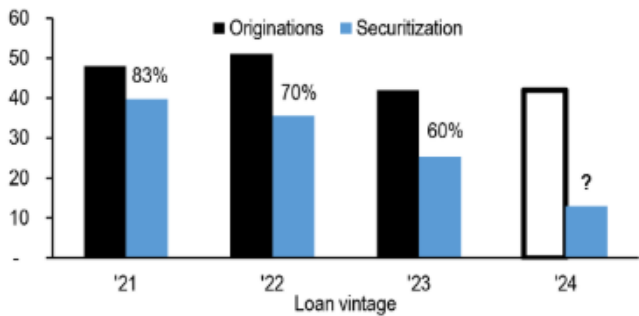


Liquidity Themes in the Non-QM Space

- Insurance backed capital / balance sheets & securitization remain the predominate exit strategies for NQM new origination paper
- Insurance vehicles acquired ~60-65%+ of NQM new origination in 2024; similar to FY '23 (see Exhibit 1)
- Over course of 2024 – securitization new issue spreads began to tighten on continued demand from bond buyers and more confidence around prepay speeds / performance (see Exhibit 2)
- Tighter spreads have narrowed the gap in execution between insurance & securitization; making both viable exit strategies for NQM new origination and thus improving net liquidity

Exhibit 1

Originations vs. securitizations (\$bn)



Source: J.P. Morgan, CoreLogic, IMF

Exhibit 2

Spreads (bp)	Current	Δ YTD 2024
NQM A1	125	(28)
NQM A2	150	(45)
NQM A3	160	(60)
NQM M1	215	(95)
NQM B1	260	(225)



Evolution of Non-QM Collateral Profile

Product type	2017	2018	2019	2020	2021	2022	2023	2024 YTD
Full doc	49%	35%	24%	18%	9%	5%	6%	7%
Bank statement	28%	35%	35%	35%	33%	32%	28%	28%
Investor	17%	20%	26%	28%	37%	44%	40%	40%
CPA and P&L	0%	2%	5%	4%	6%	6%	11%	11%
WVOE	0%	2%	5%	7%	5%	3%	4%	5%
Asset depletion	2%	2%	2%	2%	2%	1%	1%	2%
CDFI/No doc	1%	0%	0%	1%	3%	4%	4%	0%
Foreign	3%	4%	4%	4%	4%	5%	6%	6%

Source: CoreLogic, Nomura

- Share of investor loans has increased in recent years due to lower originations of owner-occupied loans at higher mortgage rates & insurance capital demand for prepay protected assets (stable cashflow)
- Across less common product types, the origination share of CPA/P&L loans roughly doubled in 2023, from 6% in 2022 to 11% in 2023 and have remained elevated in 2024
- The CPA/P&L product has become the third most common product type in non-QM after investor and bank statement



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Non-QM Target Market Opportunity

Non-QM will
experience
growth over
the next 3-5
years

5-7M supply-demand
imbalance in housing

16.2M self-employed
people
in the U.S.
– Bureau of Labor Statistics

19.95M rental properties
in the U.S. containing
48.2M rental units
– Census data

30% of purchase
transactions are new
construction
– NAHB

33.2M small businesses
in the U.S.
– U.S. Chamber of
Commerce

Investors have made 25% of
all SFR purchased in 2024
– Corelogic

There are
approximately 22M
millionaires in the U.S.
- CoreLogic

Home equity has hit an all-
time high \$35T, average
homeowner has \$199K in
tappable equity – FED

The U.S. is home to more
immigrants than any other
country, more than 45
million people - Census



Who is the Non-QM Borrower ?



Self-Employed /
1099



Investors



High Net Worth/ DTI
Challenges



Credit
Challenges

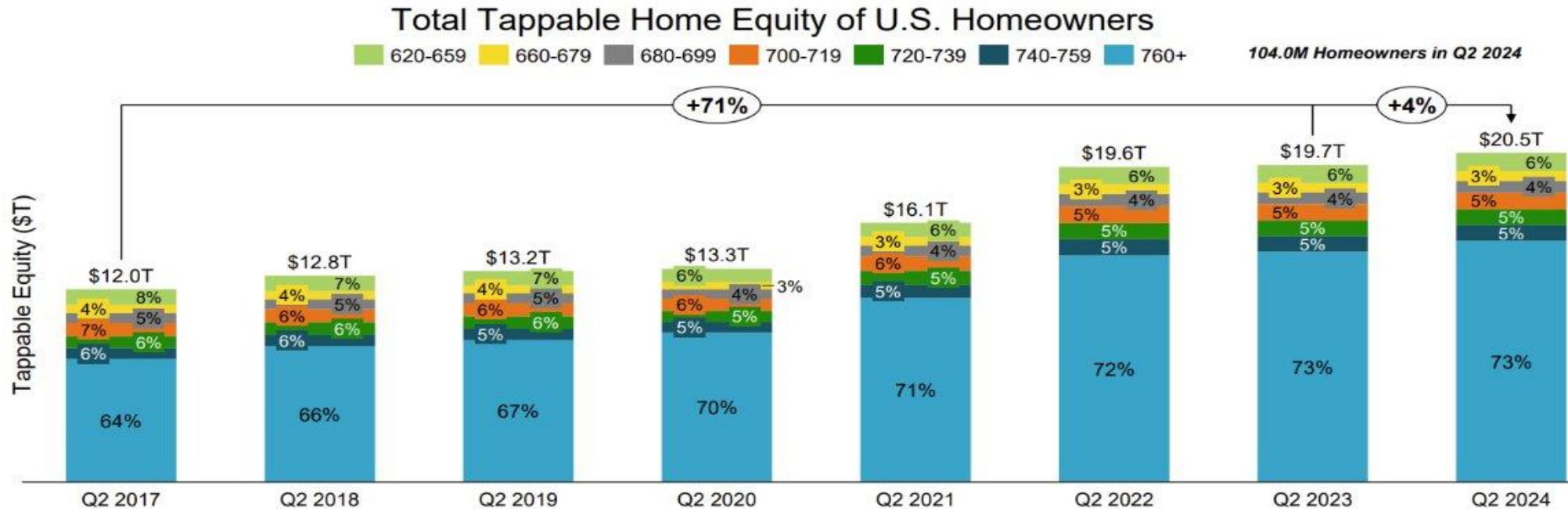


ITIN/Foreign
National



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Home Equity \$35T, Tappable Equity \$20T



- 2nd lien products allow you to stay in front of your clients and offer a solution for today's needs
- Offering 2nd liens allow you to establish a relationship that will help you get a cash-out refi when the time comes (allows you to plant the seed for the next transaction that is going to happen)
- Top uses for 2nd liens include, home improvement, debt consolidation, source to fund business ventures, & education
- 2nd lien products include HELOC, Closed-End 2nds, and DSCR 2nd

The Need for Residential Transition Loans

Projected U.S. Housing Demand in 2025-2035

- We need to build 1.8M new homes every year for the next 8-10 years
- Need to build 1.65M new homes per year to keep up with population growth
- Need to build an additional 150K homes per year for the next 10 years to catch up with undersupply
- New construction as a percentage of home sales in 2024 was 33% - NAHB
- Ground-up Construction & Fix and Flip products will be in demand products



John Burns Research and Consulting, U.S Census Bureau

Where Can You Find Non-QM Borrowers And Investors?

These networks exist in every market!

Attorneys

Chamber of Commerce

Investor and Property Groups

Better Business Bureau

CPAs/Accountants

Real Estate Investors

Builder Associations

Credit Repair

Realtors

Business Organizations

Hard Money Lenders

Wealth Advisors

