

WHITE PAPER

The Non-QM AUS

How Top Mortgage Lenders Are Automating
Complex Decisioning Without Replacing a
Single System

sapiens 

In non-QM (non-qualified mortgage) lending, the lenders who win are not the ones with the best rate sheets. They are the ones whose decisions are consistent, fast, and defensible – every time, for every underwriter, on every file.

Non-QM origination reached \$239 billion in 2025. The lenders capturing that growth are not the ones working harder. They are the ones who built a decisioning layer.

Your loan origination system (LOS) wasn't built for non-QM mortgages. The logic is too layered, the exceptions too frequent, the investor requirements too variable. This whitepaper maps the decisioning gaps costing lenders volume and margin. Sapiens Decision closes those gaps including DSCR, bank statement, and foreign national loans, so you can scale.

FORRESTER WAVE LEADER

AI Decisioning Platforms, Q2 2025

Cited for serving sophisticated use cases in highly regulated industries

GARTNER MAGIC QUADRANT

**Visionary, Decision Intelligence
Platforms, January 2026**

Innovation strength & market
responsiveness

Executive Summary

- 1** Being consistent is the competitive edge where most non-QM lenders are losing. When the same loan profile receives different conditions, different rejection messaging, or a different approval status depending on which underwriter touches it, which loan officers notice, and if they route volume elsewhere. The business lost to inconsistency never appears in your pipeline.
- 2** Non-QM origination reached \$239 billion in 2025 – 10% of all U.S. mortgage originations, more than tripling since 2022. The lenders capturing that growth are the ones whose decisions are consistent, fast, and defensible on every file. (Source: [Polygon Research HMDA analysis, 2025](#)) Despite this volume, most top-100 mortgage lenders still rely on manual underwriting for non-QM products, creating slow turnaround times, unmanaged exceptions, and an audit trail that cannot satisfy investors or regulators.
- 3** Manage the layered, interdependent logic that complex non-QM loan products, like DSCR and bank statement loans, require.
- 4** Sapiens AI Decisioning, the convergence of deterministic decision modeling, AI and data analytics, is the category built to solve this problem. It acts as a centralized, governed intelligence layer between your systems and your business logic.
- 5** Work with a partner who is recognized as a Forrester Wave Leader and Gartner Magic Quadrant Visionary for AI Decisioning Platforms, a leading platform with mortgage-native implementation and experience at scale.
- 6** See proven outcomes at top-100 mortgage institutions including an 80% reduction in loan repurchases, 40% lower rule change costs, and 60% faster speed-to-market for new products.
- 7** You can be in production within 60 to 90 days. One high-impact use case – eligibility automation, income calculation, or exception management – is all it takes to start.

Non-QM Is Not a Niche. It Is the Next Battleground.

For the top 100 mortgage lenders ranked by HMDA origination volume, non-QM has become the fastest-growing and highest-margin segment in the portfolio. Driven by structural shifts in the borrower population, a rising share of self-employed workers, real estate investors deploying capital through DSCR structures, and borrowers with non-traditional income documentation, non-QM origination reached \$239 billion in 2025, more than tripling since 2022, and continues to expand even as agency volume fluctuates with the rate environment. But volume growth has outpaced the decisioning infrastructure most lenders are running it through — and the gap between what the market demands and what the operation can consistently deliver is where margin goes to die. (Source: Polygon Research HMDA analysis, 2025)

Unlike conventional lending, non-QM rewards operational precision. The lenders growing market share are not necessarily those with the most aggressive rate sheets, they are the ones with the fastest, most consistent decisions. A broker who receives a same-day eligibility answer on a complex DSCR file does not shop that loan elsewhere. Speed and consistency, compounded across thousands of loans, translate directly into production volume and gain-on-sale margin.

The Major Non-QM Product Categories This Whitepaper Addresses

Product Type	Primary Borrower Profile	Key Decisioning Complexity
Bank Statement Loans	Self-employed / gig workers	Income calculation methodology, 12 vs. 24 month, expense ratio
DSCR / Investment Property	Real estate investors	Ratio thresholds by property type, occupancy, LTV, overlay logic
Asset Depletion	High-net-worth retirees	Drawdown methodology, eligible asset types, seasoning rules
Business Purpose Loans	LLC / entity borrowers	Guarantor analysis, entity structure, purpose verification
Foreign National / Non-Owner-Occupied	Non-resident investors; foreign nationals purchasing U.S. property	Borrower entity verification, non-U.S. income documentation, property use classification, cross-border title and tax requirements
Investor Overlays	All non-QM product types	Channel-specific, investor-specific eligibility matrices



“Non-QM is on fire. These lenders come to us and say: can we have an AUS like Fannie or Freddie? And we show them that yes, their guidelines, their matrices, their compensating factors, all of it can be modeled, governed, and automated.”

– Mike Kelleher, Adopt the Brand | Mortgage Industry Consultant

Non-QM Wasn't Designed to Scale. And the Cracks Are Showing

The operational reality inside most top-100 mortgage lenders today: non-QM underwriting is governed by a combination of Excel matrices, LOS workflow rules, and institutional knowledge held by a handful of senior underwriters. When volume is low, this works. When volume accelerates, it breaks, and the costs are measured in margin, compliance exposure, and lost broker relationships.

The 5 Decisioning Gaps Most Non-QM Lenders Cannot See

- **The Consistency Problem**

No two underwriters apply the same guidelines the same way on complex files — producing different conditions, different rejection language, and different approval status on identical loan profiles. Loan officers notice. First they start double-checking your decisions. Then they start routing volume elsewhere. The business you lose to inconsistency is largely invisible: the broker who never submitted the loan they assumed you would decline. Beyond the lost volume, inconsistent decisions create investor delivery risk and compliance exposure on every file that does leave your shop.

- **Turnaround Time Pressure**

Non-QM files take 3 to 5 times longer to underwrite manually than agency loans. Brokers route repeat business to whoever answers first. Every day of manual review lag is a relationship at risk.

- **Unmanaged Exception Debt**

Exception logs grow but exceptions are never systematically governed. When an investor or regulator asks why a loan was approved outside guidelines, the honest answer is usually: we do not have a clear record.

- **Slow Product Rollouts**

Every new DSCR ratio threshold, bank statement methodology change, or investor overlay update requires re-training underwriters and manually revising spreadsheets. Time-to-market is measured in weeks or months, not hours.

- **LOS Architecture Constraints**

Leading LOS providers and similar systems manage workflow. They were not designed to orchestrate the layered, interdependent decisioning logic that non-QM requires.

These five gaps compound each other. Inconsistency creates exceptions. Exceptions lead to slow turnaround. Slow turnaround loses brokers. Lost volume is the ultimate cost. And through it all, the inability to document decisions cleanly creates a liability that grows with every loan in the pipeline. The question is whether you fix it before a repurchase demand, a fair lending audit, or a competitor with an automated AUS forces the conversation.

A frequently overlooked dimension of this risk: when sold loans show early signs of default within the first six months, lenders face significant repurchase exposure. A loan returned to the originator's balance sheet at current market value, rather than the original sale price, represents a material loss that compounds the cost of the original decisioning error. For lenders with a decisioning layer integrated via API into downstream servicing and CRM systems, early warning signals from payment behavior can trigger automated alerts before a repurchase demand arrives, giving operations teams the opportunity to act rather than react. This is one of the most compelling extensions of the AI decisioning layer beyond origination: closing the feedback loop between how a loan was decided and how it performs.

The Capability Profile of a Non-QM Lender Built for Growth

The lenders winning in non-QM are not simply faster at manual underwriting. They have built a fundamentally different architecture for how decisions get made, governed, and updated. The shift is from “art vs. math”, the old objection, to governed AI decisioning, where the judgment of experienced underwriters is encoded into transparent, testable, auditable models.

A Centralized Non-QM AUS

A proprietary automated underwriting system equivalent, independent of Fannie Mae’s Desktop Underwriter (DU) and Freddie Mac’s Product Loan Product Advisor (LP), that encodes your guidelines, matrices, and overlays into a single governed decision flow.

Business-Owned Rule Authoring

Non-IT professionals, credit policy teams, and operations leads, can author, test, and deploy rule changes without submitting a ticket or waiting for a development sprint.

Complete Exception Governance

Every exception is captured, classified, tracked, and reportable. Risk managers see exception patterns in real time. Auditors get a click-to-print trail.

Same-Day Guideline Updates

When investor guidelines change at noon, your decisioning layer reflects that change by end of day, not end of next sprint.

Explainable, Investor-Ready Outcomes

Every decision output includes the rationale: which rules fired, which factors were evaluated, and why the outcome was reached. One report satisfies QC, compliance, and the investor rep.

Non-Linear Scaling

After the first use case, each subsequent decisioning module costs less to deploy and yields more return. Each new use case compounds efficiency — without adding staff.

Portfolio-Level Decision Intelligence

The AI decisioning layer does not stop at the individual loan. Concentration limits, loan pool mix targets, product eligibility thresholds, and regulatory exposure metrics all depend on the same governed logic, and carry the same risk when left to manual processes.

Decisioning-mature lenders are beginning to extend the platform to monitor portfolio composition in real time, flag concentration risk before it becomes a compliance event, and model the eligibility profile of the entire loan pool — not just the loan in front of an underwriter. This represents the next frontier of decisioning maturity for top-100 lenders: from governing individual decisions to governing the strategic shape of the portfolio itself.

Three Common Objections, and Why Each Falls Short

Before evaluating a dedicated AI decisioning platform, most lenders consider three paths: extending the LOS, building something internally, or waiting for AI to mature. Each has real intuitive appeal. Each fails on examination.

“We Will Extend the LOS.”

LOS platforms are workflow systems. Their embedded rules engines handle eligibility workflows and condition generation, they are not built to orchestrate layered DSCR calculations, bank statement income methodologies, and investor overlays in a single governed decision flow. And every change still requires IT involvement, regardless of how modern the LOS. The architecture ceiling is real and vendor-locked.

“We Will Build It Ourselves.”

Custom development creates institutional risk. When the developer who built your bank statement income engine leaves, the logic leaves with them. Custom code is undocumented, untestable by business users, and opaque to regulators. OCC, CFPB, and state regulators increasingly expect versioned, explainable decision models, not commented scripts in a private repository.

“AI Is a Black Box, We Cannot Use It for Compliance-Sensitive Decisions.”

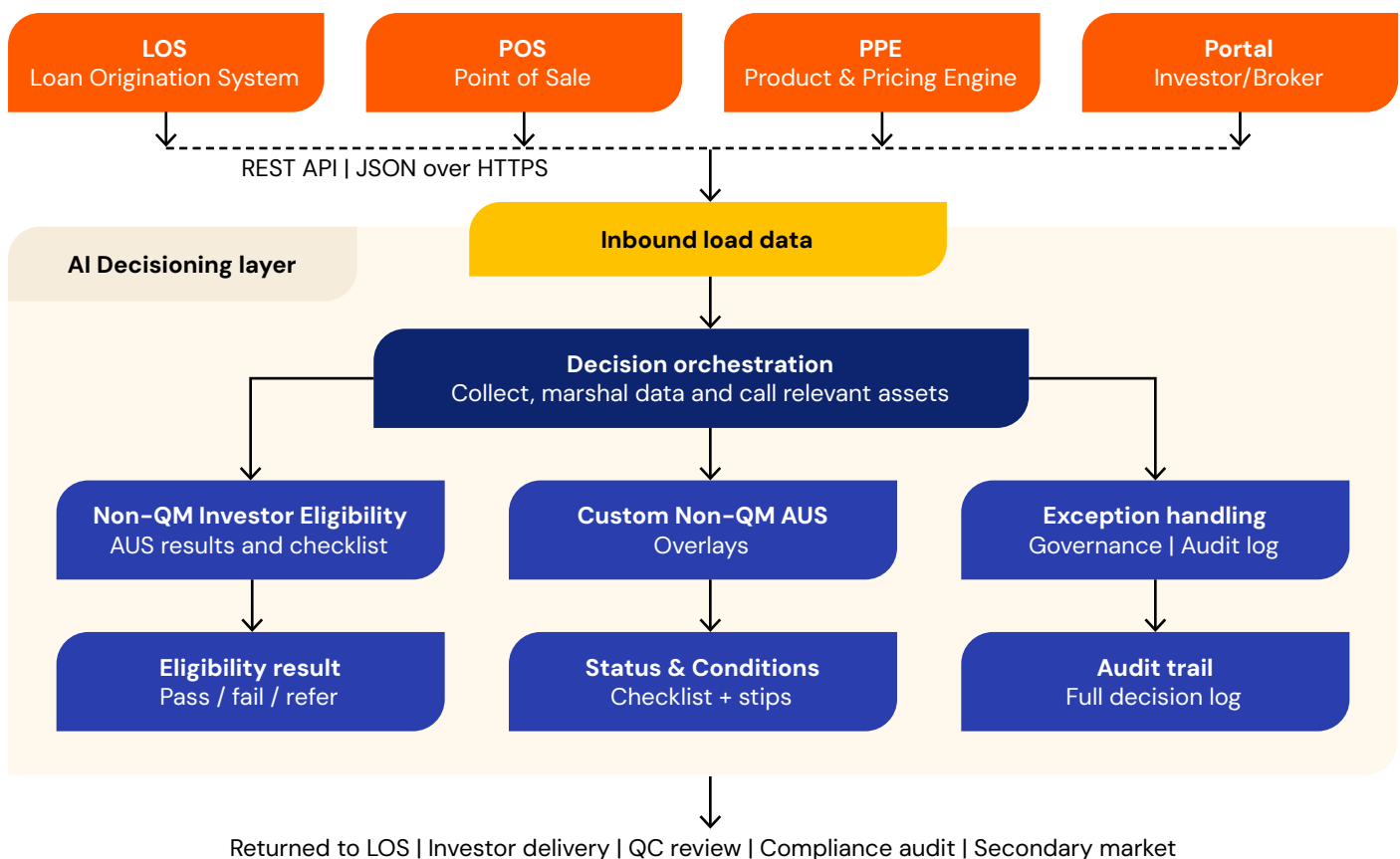
Sapiens Decision was built from the ground up on a single principle: every decision must be transparent, auditable, and explainable. Deterministic decision models govern exactly where and how AI contributes — every output is traceable, justifiable, and defensible to any regulator, investor, or internal audit team. This is not a compliance feature bolted onto an AI engine. It is the core methodology the platform was designed around, from day one.

Built for the Complexity Non-QM Demands

Sapiens Decision is an AI Decisioning Platform purpose-built for the complexity of regulated lending, with mortgage-native implementation experience across origination and secondary markets, using a methodology specifically designed for the layered, interdependent decisions that non-QM requires.

Non-QM AI Decisioning Architecture

Source systems connect via REST API to the AI Decisioning Layer, which orchestrates DSCR, bank statement, and exception sub-flows, producing eligibility results, conditions, and a full audit trail.



AI Decisioning Platform Capabilities for Non-QM

Example Use Case	What It Does	What It Means for You
Non-QM AUS	Encodes guidelines, matrices, and investor overlays into a governed, automated series of decision models	Eligibility decisions in minutes. No DU or LP dependency, no IT ticket required
DSCR Decisioning	Calculates DSCR ratios by property type, occupancy, and LTV; apply compensating factor logic automatically	Every underwriter reaches the same answer; investor-ready information generated automatically
Bank Statement Income Modeling	Configurable 12/24 month calculation, expense ratio, and business income logic	Credit policy team owns income calculation logic Guideline changes deploy in hours, not sprints
AI Capabilities		
ModelAI	Extracts decisioning logic from legacy systems, spreadsheets, and other sources including LOS configurations	50% resource savings on migration. Institutional logic extracted and documented, captures tribal knowledge
OptimizeAI	Continuously monitors decision KPIs, simulates fixes, and deploys improvements, automatically and compliantly.	Every AI-assisted decision is explainable and traceable. Reports satisfy OCC, CFPB, investors, and QC
Operational Capabilities		
Exception Governance	Captures, classifies, routes, and tracks every exception with a full audit trail	Exception audit trail is always current. One click satisfies QC, compliance, and investors
LOS / POS / PPE Integration	REST API connectivity and auto data mapping for simplified integration to leading LOS, POS, and PPE platforms	Simple integration and faster time to market with your data and automatic mapping.
Multi-Role Concurrent Decisioning	Credit policy, operations, and compliance teams each access decisioning logic within their own domain simultaneously	Underwriters, risk managers, and compliance officers work in parallel. No queue, no handoffs, no waiting

Third-Party Validation From the Analysts Who Cover This Category

Sapiens Decision has been independently evaluated by both Forrester and Gartner, the two leading analyst firms covering AI decisioning and decision intelligence markets. These recognitions confirm that the platform's current capabilities, innovation roadmap, and market strategy are among the strongest in the category.



Forrester Wave Leader AI Decisioning Platforms, Q2 2025

Cited for serving sophisticated use cases in highly regulated industries, with robust governance capabilities and decision-authoring tools for both business and technical users.

Forrester evaluated Sapiens Decision on current offering, strategy, and market presence, placing it in the Leader quadrant across all three dimensions.



Gartner Magic Quadrant Visionary Decision Intelligence Platforms, January 2026

Gartner highlighted the platform's market responsiveness, innovation strength, and ability to serve complex requirements in highly regulated industries including mortgage.

Recognized for bridging probabilistic AI with deterministic, rules-based decisioning, the critical capability for compliance-sensitive environments.

Outcomes Measured at Scale Across Mortgage Institutions

80%

Reduction in loan
repurchases

Top-5 mortgage bank, investor eligibility use case

40%

Lower ongoing rule maintenance costs

National mortgage lender, qualified mortgage
implementation

60%

Improvement in
speed-to-market

Across multiple mortgage implementations

35%

Resource savings via AI-
generated decision models

Migration from legacy rules systems

70%

Reduction in AUS update
cycle time

Major bank proprietary AUS modernization

\$300–500

Savings per loan origination

At 10,000 loans/year: \$3M–\$5M in annual savings
At 50,000 loans/year: \$15M–\$25M

Real Results at Mortgage Institutions Like Yours

The following case studies are drawn from Sapiens Decision implementations at top-100 mortgage institutions. Client names are anonymized consistent with confidentiality agreements. Outcome data reflects verified production results.

Case Study 1 Loan Origination Accuracy, Regional Bank

A Midwest regional bank with growing non-QM origination volume faced systemic inconsistencies in condo classification, mortgage insurance verification, flood escrow compliance, and new product rollout. Manual processes and inconsistent underwriter training were creating defects across multiple origination stages.

Solution: Sapiens Decision decision models integrated into the origination workflow, replacing manual reviews across six loan quality categories.

- Loan delivery errors due to condo misclassification: eliminated
- Mortgage insurance omissions on redisclosures: reduced to zero
- Flood escrow compliance: enforced consistently from effective date
- New product teams received structured decision requirements at launch outset, reducing go-live risk and start-stop delays

Case Study 2 Investor Eligibility, Top-5 Mortgage Bank

A top-5 mortgage bank replaced 400+ lines of opaque SQL loan designation logic in its secondary markets operation with transparent, business-owned decision models. Change lead times dropped from 6-8 weeks to 1-2 weeks. Rule change costs fell from approximately \$75,000 to near zero.

- Loans eligible for sale: increased 20%
- Loan repurchases: reduced 80%
- Decision auditability: complete, investor-ready documentation on every loan

Both lenders started with a single decisioning use case and expanded the platform across additional products and channels within 12 months, measurable ROI from first deployment, compounding returns as each subsequent use case leverages the same platform foundation.

A Phased Path From Assessment to Production

Sapiens Decision doesn't require a platform-wide transformation to deliver value. Our recommended approach is a phased deployment that begins with one high-impact non-QM use case, demonstrates measurable production outcomes, and then expands systematically across the decisioning stack.

Phase

1

Discovery and Gap Assessment | 1 to 2 weeks

Use the Mortgage Decisioning Gap Diagnostic to map your current decisioning gaps across loan types. Identify where manual processes are creating the most operational risk, compliance exposure, or competitive disadvantage. Results are segmented by role and prioritized by estimated impact.

Phase

2

Pilot, Single High-Impact Use Case | 60 to 90 days

Select one production use case: DSCR eligibility automation, bank statement income calculation, investor overlay management, or exception governance. Deploy a production-ready decision model integrated with your existing LOS via API. Measure outcomes against baseline.

Phase

3

Phase 3: Scale Across the Non-QM Stack | 6 to 12 months

Expand to additional products, channels, and decisioning scenarios using the same platform foundation. Each subsequent use case deploys faster than the last. The cost curve flattens as the ROI compounds.

The AI Decisioning Platform Built for Regulated Industries

Sapiens Decision provides end-to-end, AI-enabled decision intelligence capabilities – from decision logic extraction and no-code decision modeling – to highly scalable deployment, monitoring, evaluation, and optimization. It offers a technology-independent solution to fit any architecture, enabling organizations to reuse their existing infrastructure and governance models.

The Sapiens' AI Decisioning Platform bridges the gap between probabilistic AI and deterministic decisioning based on rules, putting essential governance guardrails around AI-driven processes, while accelerating operational efficiency, time to market, and decision accuracy.

Ready to bring an AUS-equivalent to your non-QM operation?

Book a 30-minute Non-QM Decisioning Assessment with a Sapiens Decision mortgage specialist.

Book now

DISCLOSURES AND LEGAL NOTICES

Results Disclaimer. Performance outcomes cited in this whitepaper, including loan repurchase reductions, rule change cost savings, speed-to-market improvements, resource savings, and per-loan origination cost estimates, reflect results from specific Sapiens Decision customer implementations. Individual results will vary based on institution size, loan volume, product mix, existing technology infrastructure, and implementation scope. No outcomes are guaranteed.

Customer References. Case study details in this document are drawn from anonymized client implementations. Composite quotes attributed to unnamed lender categories are representative of client feedback and have not been individually approved for publication. Any named client references require written client approval before publication. Consult the Sapiens Decision legal team prior to finalizing this document for public distribution.

Analyst Recognition. Forrester Wave Leader designation is based on the Forrester Wave: AI Decisioning Platforms, Q2 2025. Gartner Magic Quadrant Visionary designation is based on the Gartner Magic Quadrant for Decision Intelligence Platforms, December 2025. Gartner does not endorse any vendor, product or service depicted in its research publications. Gartner research publications consist of the opinions of the Gartner Research organization and should not be construed as statements of fact. Gartner and Magic Quadrant are registered trademarks of Gartner, Inc. and/or its affiliates in the U.S. and internationally and are used herein with permission.

About Sapiens

Sapiens International Corporation N.V. is a global leader of AI-centric, SaaS-based insurance software, delivering hyper-relevant experiences that are efficient, compliant, and innovative. With agile intelligence, Sapiens' solutions turn real-time data and human insight into precise action at every moment, across every risk. The Sapiens platform includes agentic workflows accelerating every capability across policy, underwriting, claims, reinsurance, decisioning, and finance and compliance. With more than 600 insurers in over 30 countries running on Sapiens, our deep industry expertise is the foundation of our long-term relationships, from initial implementation through to modernization and market transformation. Sapiens is headquartered in London, serving customers in property and casualty, life, reinsurance, specialty, and workers' compensation from offices across North America, Europe, the Middle East, and Asia Pacific. For more information visit sapiens.com or follow us on [LinkedIn](#).