ATLAS VALUATION & MORTGAGE SOLUTIONS • TECHNICAL PLAYBOOK

The Non-QM Valuation: Mitigating Investor Kickbacks on Non-Agency Paper

An institutional framework for eliminating DSCR cash-flow distortions, short-term rental Form 1007 failures, and non-warrantable condo collateral exceptions before secondary market delivery.

TARGET DECISION-MAKERS
Non-QM Originators • Capital Markets Directors • Chief Credit Officers

EDITORIAL & TECHNICAL LEAD
Joseph Pravettone (Chief Appraiser) & Nicole Bookout (EVP, Appraisal Operations)

100% Defensible
STR SEASONALITY MODELING
Atlas STR Insight™ + verified AirDNA ADR, RevPAR & occupancy curves

$0 Deductible
ATLAS LOANSHIELD™ WARRANTY
Insurance-backed collateral buyback protection at $0 lender cost

45+ Checks
AGGREGATOR PRE-DELIVERY QC
Automated AIM-Port scrub calibrated to top Non-QM investor overlays

EXECUTIVE SUMMARY & CORE TAKEAWAYS

- Non-agency whole-loan aggregators and securitization trusts do not grant automated collateral relief—making appraisal methodology defects the #1 preventable driver of Non-QM trade kickbacks and scratch-and-dent pricing haircuts.
- Applying traditional Form 1007 long-term lease schedules to Short-Term Rental (STR) DSCR loans distorts gross revenue and seasonal occupancy; Atlas STR Insight™ pairs purpose-built STR valuation reporting with verified AirDNA telemetry (ADR, RevPAR, weekday/weekend curves).
- Non-warrantable condominiums, condotels, and complex multi-family assets require dual-market comparable selection (both inside and outside the subject project) and granular commercial-ratio verification prior to underwriting sign-off.
- Every eligible Non-QM appraisal delivered through Atlas VMS and AIM-Port undergoes a 45-point pre-delivery aggregator QC scrub and is backed by the Atlas LoanShield™ valuation accuracy warranty with a $0 lender deductible.

1 Why Non-Agency Paper Faces Asymmetric Collateral Scrutiny

In agency lending, Fannie Mae's Collateral Underwriter (CU) and Freddie Mac's Loan Collateral Advisor (LCA) provide clear, standardized risk thresholds, including representation and warranty relief when scores fall below 2.5. Non-QM and private-label securities (PLS) operate without an agency safety net.

When a Non-QM originator delivers a pool of DSCR, bank-statement, asset-depletion, or non-warrantable condo loans to a secondary market aggregator or Wall Street credit desk, 100% of the collateral tape is subjected to independent third-party due diligence review (TPR). Appraisal defects trigger immediate aggregator purchase suspensions ("kickbacks"), DSCR tier re-pricing haircuts when rent schedules are adjusted downward, or scratch-and-dent portfolio lockup.

2 DSCR Valuation Mechanics & The Form 1007 Short-Term Rental Trap

For DSCR loans, the appraisal is not merely a collateral valuation—it is the income underwriting document. The single most frequent cause of secondary market investor kickbacks on DSCR paper occurs when lenders and appraisers force Short-Term Rental (STR) properties onto a standard Fannie Mae Form 1007 (Single-Family Comparable Rent Schedule).

Built for 12-month leases, Form 1007 fails on STRs due to nightly ADR multiply errors, unverified consumer Airbnb listing screenshots (asking rates vs. realized bookings), and omitted seasonal occupancy troughs.

COMPARISON MATRIX: LEGACY FORM 1007 WORKFLOW VS. ATLAS VMS + STR INSIGHT™ PROTOCOL

VALUATION DIMENSION	LEGACY AMC / STANDARD FORM 1007	ATLAS VMS + ATLAS STR INSIGHT™ PROTOCOL
Income Data Source	Long-term MLS lease comps or unverified listing screenshots	Direct AirDNA enterprise dataset integration capturing verified historical bookings
Seasonality & Occupancy	Single static "average month" rent estimate	12-month seasonal ADR curve, occupancy distribution & weekday/weekend splits
Benchmark Metrics	Gross monthly lease rent only	Standardized ADR, Occupancy %, RevPAR, and annualized gross revenue benchmarks
Secondary Market Result	High risk of TPR suspense, rent haircuts (15-25%), or kickback	Purpose-built package engineered for Non-QM aggregators & rating agencies

3 The Atlas STR Insight™ Standard + AirDNA Telemetry

Atlas VMS developed Atlas STR Insight™—a purpose-built Short-Term Rental Appraisal Form paired directly with enterprise AirDNA market analytics. Assigned STR-trained appraisers receive property-specific AirDNA data reports capturing 12-month seasonal ADR and occupancy curves, weekday vs. weekend rate differentials, event-driven RevPAR benchmarks, and dual-baseline reconciliation against long-term lease floors.

4 Non-Warrantable Condos, Condotels & Pre-Delivery LoanShield™ QC

For non-warrantable projects and condotels, Atlas VMS enforces an inside/outside comparable mandate (at least two closed sales inside the subject project and two from competing non-warrantable projects) alongside explicit commercial space ratio and investor concentration reconciliation.

Every Non-QM valuation runs through AIM-Port's 45-point pre-delivery aggregator QC scrub and is backed by Atlas LoanShield™—our insurance-backed appraisal warranty with $0 lender cost and a $0 deductible.

5-POINT NON-QM & STR COLLATERAL AUDIT CHECKLIST

- ✓ Verify municipal and HOA short-term rental permissibility (transient licensing vs. minimum stay covenants).
- ✓ Cross-examine 5+ active and historical STR comparables with verified trailing-12-month (T12) occupancy and ADR.
- ✓ Reconcile amenity-driven revenue premiums (heated pool, waterfront dockage, view corridors) separately from GLA adjustments.
- ✓ Validate Form 1007 / 1025 long-term market rent floor alongside Atlas STR Insight™ seasonal revenue schedule.
- ✓ Include inside-project and competing outside-project comparables on all non-warrantable condos and condotels.

NEXT STEP • INSTITUTIONAL CONSULTATION

Schedule a 15-Minute Non-QM Collateral Audit & Risk Review with Atlas VMS Specialists

atlasvms.com/contact • hello@atlasvms.com • (833) 502-8527 • Online Guide: https://atlasvms.com/resources/non-qm-valuation-playbook

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