Tom Payne
Senior Loan Consultant, loanDepot
NMLS# 1017004 #174457 Licensed in all 50 States
2835 St. Rose Parkway, Suite 120 Henderson, NV 89052

Office: 702-303-0243
Mobile: 702-303-0243
tompaynemortgage@gmail.com
View My Website

Fannie Mae to Add Rent Payments to Credit Evaluations

It has been under discussion for what seems like forever, but Fannie Mae will **begin to recognize non-reported types of credit performance in qualifying a loan**. On September 18, it will launch a new feature in its automated underwriting system that will incorporate consumers' rent payments in credit evaluations.

The process, which will require borrower consent, will enable single-family lenders to automatically identify recurring rent payments on an applicant's bank statements. The company says its new Desktop Underwriting (DU) enhancement creates new opportunities for homeownership for qualified renters with limited credit history but a strong rent payment history while still promoting safe and sound lending,

Only consistent rent payments will be considered. Any records of missed or inconsistent rent payments identified in the bank statements will not negatively affect the applicant's ability to qualify for a loan sold to Fannie Mae. Rent payments that appear in the payment history of the borrower's bank account data can be identified, whether made via check or electronically, such as via a company's payment portal or other digital payment solution.

The company says fewer than 5 percent of renters have their rent payments reported on their credit bureau report, putting many prospective first-time homebuyers at a disadvantage. Approximately 20 percent of the U.S. population overall has little established credit history - a group in which Black and Hispanic consumers are disproportionately represented. Fannie Mae's National Housing Survey found that 29 percent of Black consumers and 18 percent of white consumers identify insufficient credit score or credit history as their single biggest obstacle to getting a mortgage.

Fannie Mae's research has also found that factoring in a history of consistent rent payments is one significant difference between first-time buyers qualifying and not qualifying for a mortgage. In a recent sample of mortgage applicants who had not owned a home in the past three years and did not receive a favorable recommendation through Desktop Underwriter, 17 percent could have received an Approve/Eligible recommendation if their rental payment history had been considered.

National Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.89%	0.00	0.00
15 Yr. Fixed	6.33%	+0.01	0.00
30 Yr. FHA	6.33%	+0.01	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.58%	0.00	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/22

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

		Value	Change
Builder Confidence	Mar	51	+6.25%

"Many renters believe they will never be able to buy their own home because of insufficient credit. We can responsibly expand mortgage eligibility by including positive rent payment history in underwriting risk assessments," said Hugh R. Frater, Chief Executive Officer, Fannie Mae. "We believe this will be the first time any large-scale automated mortgage underwriting system will leverage electronic bank statement data to consider positive rent payment history. It is but one important step in correcting the housing inequities of the past, creating a more inclusive mortgage credit evaluation process going forward, and encouraging the housing system to develop new ways of safely assessing and determining mortgage eligibility to fairly serve all potential homeowners. We look forward to working with our industry partners to do what we can together to **address this and other barriers to homeownership**."

Fannie Mae has also announced some upcoming changes, primarily to changes put in plus due to the pandemic. These are the changes that are modifications of earlier announcements.

- Effective immediately the existing age of documentation and market-based asset policies have been retired. Instead, the age requirements are modified for all loans from 120 days to 60 days for most income and asset documentation or, alternatively, the most recent quarterly statement. If the employment and income verification is received directly from a third party verification vender, it cannot be more than 60 days old as of the note date.
- For single-closing transactions converting construction to permanent financing, income and asset documents must be dated within 60 days of the original closing rather than 120 days.
- The Representation and Warranty Relief for employment validation within the DU validation service that become effective on May 4, 2020, will be reinstated in a future release, and communicated in DU release notes.

The following announcements will continue until further notice

- Requirements for borrowers using self-employment to qualify. Effective June 11, 2020, and December 14, 2020.
- Sale of loans aged six months or less. Effective May 5, 2020.
- Temporary eligibility requirements for purchase and refinance transactions. Effective June 2, 2020.
- Requirements for furloughed borrowers, effective May 5, 2020.
- Verification of self-employment, Effective April 14, 2020.

The requirement regarding verification of Market-based assets which was effective as of April 14, 2020, was retired as of August 11, 2021.

Update: Buyer Broker Agreement

After requests from real estate companies, a nonprofit consumer watchdog group the Consumer Federation of America has developed a list of factors to consider when creating a buyer contract in preparation for upcoming practice changes in the industry.

CFA released its “Proposed Criteria for Evaluating Home Buyer Contract Forms” on Tuesday. The 15 criteria focus on the contracts’ form — whether the documents are readable and understandable — and content — whether they are fair to homebuyers.

-the document’s expiration date (CFA recommends buyers asks for a three-month contract and never sign one longer than six months)
-the right to terminate the contract
-the disclosure that compensation is negotiable
-the broker’s compensation clearly stated and that the buyer broker can’t receive additional compensation for facilitating a sale
-that any additional fees, such as for showing a home, will be deducted from the broker’s commission if there is a successful sale
-that the commission is due only if there is a successful closing
-that buyers have an obligation — for no longer than 60 days, CFA recommends — to pay a broker who earlier showed them a home they purchased after the contract ended
-seller concessions paid directly to buyers
-dual agency not pre-approved by the contract
-an explanation of how a broker treats different buyer clients interested in the same property
-that buyers should not be required to first go through mediation or arbitration if they have a complaint

Contact me for more information. 702-303-0243 or TPayne@loandepot.com

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Tom Payne