

GSE Seeks Inclusion of Rent in Credit Scores

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Freddie Mac is joining Fannie Mae in including **timely rent payments** into the assessment of homebuyer credit. Fannie Mae's president, Hugh Frater announced a program in August that would allow lenders to use Desktop Underwriter to submit a history of recurring rent payments. The program Freddie Mac just announced appears to go a further.

The company says it is encouraging operators of **multifamily** properties to report on-time rent payments to the three major credit bureaus. Less than 10 percent of renters currently see their rental history reflected in their scores. Freddie Mac's initiative incentivizes rent reporting via technology created by Esusu Financial Inc. It will deliver on-time rental payment data from property management software platforms to the credit bureaus and will automatically unenroll renters when missed payments occur, preventing harm to those who struggle financially.

"Rent payments are often the single largest monthly line item in a family's budget but paying your rent on time does not show up in a credit report like a mortgage payment," said Michael DeVito, CEO of Freddie Mac. "That puts the 44 million households who rent at a significant disadvantage when they seek financing for a home, a car or even an education. While there remains more to do, this is a meaningful step in addressing this age-old problem."

To encourage multifamily property owners to participate, the GSE will provide **closing cost credits** on multifamily loans for owners who agree to use Esusu's platform and has negotiated discounted fees for owners using those services. The platform manages the end-to-end process of reporting rental payments to all three major credit bureaus while ensuring compliance with industry standards.

Using Esusu eliminates the administrative and compliance burden for property owners, which has been the largest hurdle facing industry efforts to report rental data. Esusu even reports up to 24 months of past on-time rent payments, resulting in an immediate positive impact to credit scores.

"At present, the most common way for rents to be reported to the credit bureaus is when there is a missed payment that has gone to a collections agency," said Alexis Sofyanos, senior director of Equity in Multifamily Housing at Freddie Mac. "Freddie Mac wants to flip that script, so that renters who pay their rent on time and in full each month get credit for doing so, while also putting in safeguards for the most vulnerable."

The platform also enhances credit score awareness and helps renters verify their rental history. Esusu says it intends to provide a holistic platform for resident financial stability and the tools needed to strengthen relationships between renters and property owners. The company's co-founders, Samir Goel and Abbey Wemimo, said, "Working with Freddie Mac allows us to address credit invisibility, which is an essential first step toward addressing renter financial stability. Today there are over 45 million adults in America with no credit score, the vast majority of whom are immigrants, minorities and low-to-moderate income households. It's a win for renters, property owners and society at large."

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