

A man and a woman are standing outdoors, looking up at a modern, multi-story building with large glass windows. The woman is on the left, wearing a pink coat and a red turtleneck, with her arms crossed. The man is on the right, wearing a dark jacket, looking up with a smile. The sky is blue with some clouds.

Leveraging Rental Payment History to Approve More First-Time Homebuyers

**EDUCATION AND WORKFLOW CHANGES TO MAXIMIZE
THE BENEFITS OF POSITIVE RENTAL PAYMENT HISTORY**

As housing affordability remains constrained, lenders have looked to new approaches to help first-time homebuyers achieve the American Dream. The ability to repay is the dominant determining factor in a mortgage approval. A mortgage underwriter's ability to know a prospective homeowner's history handling a rent payment can be a strong indicator of a borrower's ability to sustain a monthly mortgage payment.

In many markets, average rent payments are often as high or higher than average monthly mortgage payments. The ability to successfully leverage timely rental payment history into the underwriting process could open the doors of homeownership for many current renters.

Until the last few years, monthly rent payments were difficult, if not impossible, to reliably document. Most landlords do not report rental payment history to the credit bureaus. Moreover, rent payments are often made through cash or more recently through digital cash transfer apps and made to individuals or "mom-and-pop" property owners. As data aggregators and technology providers improved access to consumer-permissioned income and asset statements, the Government Sponsored Enterprises (GSEs) have amended underwriting policies to allow lenders to include positive rent payment history as a data source for the automated underwriting system (AUS) decisions on Fannie or Freddie eligible loans.

The MBA's Affordable Homeownership Advisory Council reviewed the GSEs' existing guidelines to determine the best way to expand the use of rental payment history by lenders. MBA supports the GSEs' goal of identifying qualified and eligible first-time homebuyers who might not fit the standard criteria for approval under the traditional AUS dataset. Positive rent payment history is supplemental data that speaks to an applicant's ability to manage a fixed monthly housing payment over time and can help lenders reliably qualify more first-time homebuyers who today may be overlooked and/or underserved.

The AHAC determined that despite the GSEs' policy updates allowing the use of positive rent payment history in underwriting, adoption of this flexible option has been limited. To increase lender adoption of positive rent history and make homeownership more accessible to those who have consistently paid rent for years, MBA's recommendations focus on:

1. Industry practices and improvements to the consumer experience
2. Expanding and enabling broader adoption through GSE collaboration

SUMMARY OF CURRENT GSE POLICY AND INDUSTRY WORKFLOW

Today, the GSEs can accept and review 12 months of payment history on a bank statement to identify a monthly rent payment when paid consistently each month for 12 months. When a monthly payment does not appear on a bank statement, it is not known whether it is paid (i.e. in cash) and therefore is not counted.

To obtain verification of asset (VOA) reports, the GSEs have approved data vendors who can obtain the bank statement information by sending the consumer a request to log into the bank account used to pay rent.



The results of the rent payment analysis appear in the Risk/Eligibility section of the AUS findings report to see if positive rent payment history has been considered. As an example, Fannie Mae will display one of the following scenarios:¹

- **Success (MSG ID 3587):** Desktop Underwriter (DU) used rent payment history found on the VOA report in the credit risk assessment which resulted in an underwriting recommendation of approved or eligible.
- **No Impact (MSG ID 3593):** DU observed the borrower's rent payment history in the VOA report, but the evaluation of the history did not improve the underwriting recommendation. For example, the casefile was already approved.
- **Unsuccessful (MSG ID 3589):** DU could not evaluate the borrower's rent payment history using the VOA report obtained for the reason provided in the message.

Despite the GSEs' policy change and awareness of this new avenue for approving more applicants for credit, adoption has not been broadly followed. This is due to both a "waterfall effect" workflow and the fact that traditional paper documentation is more broadly used as compared to consumer-permissioned electronic bank data. The "waterfall effect" refers to the loan officer's attempts to initially approve the applicant with traditional 1003 and income data and then only to collect and submit rent payment history after an initial decline. Instead of the ideal workflow described in this paper, the loan officer has a workflow like this:

¹ <https://www.fanniemae.com/media/41961/display>

THE CURRENT WORKFLOW



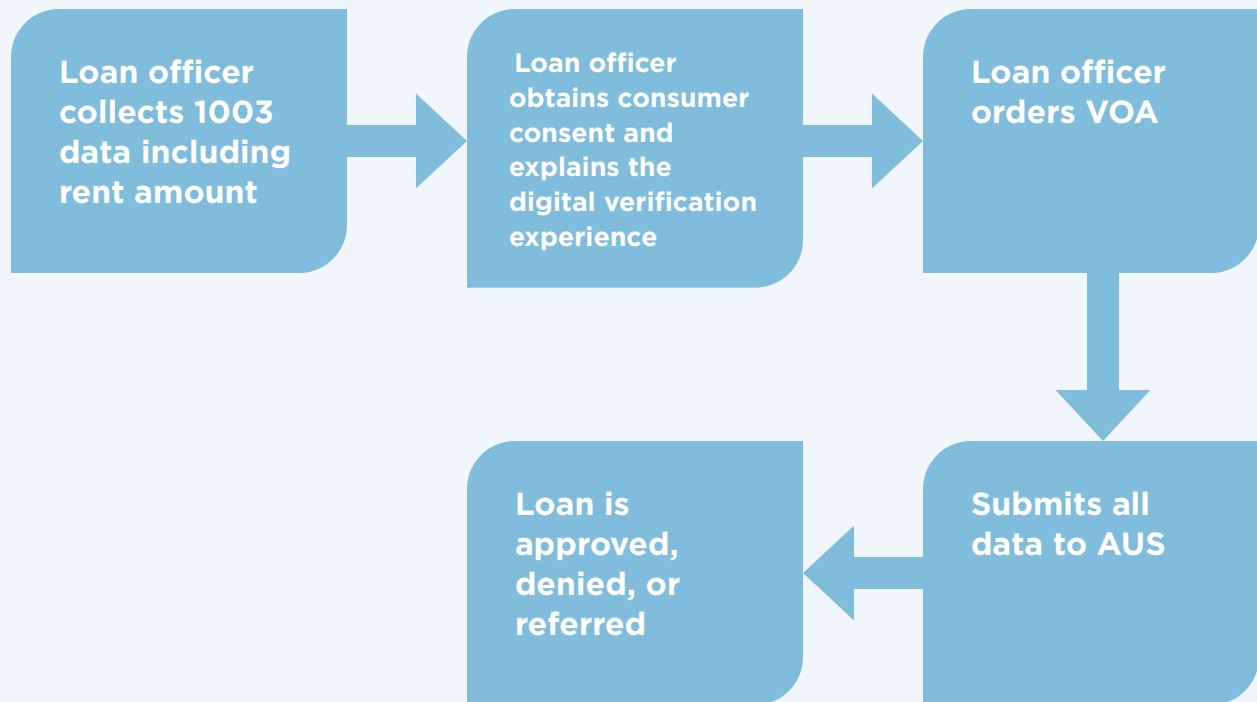
The current workflow creates a “waterfall effect” by using rental payment history only as a second look.

INDUSTRY PRACTICES AND CONSUMER EXPERIENCE IMPROVEMENTS

MBA recommends lenders incentivize loan officers to gather all potential income, asset, and payment history — including consent for digital verification — upfront so that the loan officer can submit for approval only once. One of the GSE priorities that directly addresses the challenges associated with rent payment history is the trend toward single-source validation (SSV). Programs like Freddie Mac’s Asset

and Income Modeler (AIM) and Fannie Mae’s Day One Certainty (D1C) already support and incentivize the use of digital bank statement data to accomplish multiple goals with a single consumer action. Where SSV is already in use, lenders should feel empowered to adopt the positive rent payment history flexibilities in the AUS.

THE IDEAL WORKFLOW



The ideal workflow streamlines the customer experience by avoiding the loan officer submitting rental payment history only after an initial decline.

MARKETING AND SALES PRACTICES

Lenders should use, to the degree possible, upfront data indicators or feedback from the GSEs' research and experience that could help lenders market the benefits of using rental payment history to the right applicants. For example, targeted lender marketing to communities where rental payments are higher than the average mortgage payment will dramatically improve outcomes. MBA encourages the GSEs to provide such demographic data to lenders. Lenders, in turn, should directly collaborate with state housing finance agencies, housing counselors, and real estate agents in the identified geographic regions where average rent payments exceed the typical mortgage payment.

Separately, lenders should create specific marketing to educate consumers about the rent-mortgage payment relationship in these markets and encourage consumers to provide consent for digital verification. Some consumers may still be hesitant to give bank login data when prompted. Though the cohort of users familiar with electronic banking increases by the day, lenders can and should be a primary source of awareness and education so that borrowers can understand that electronic bank data can help unlock the door to homeownership.

Consumer adoption may also lag due to what has become known as the "Trust Gap." Long-term renters may not trust financial institutions or mortgage companies with their data. Dedicated team members and trusted third-party partners in the community should collaborate to help with education, disclosure, and transparency in the process to shift the focus from distrust to a positive consumer experience.

EDUCATIONAL OPPORTUNITIES

MBA advocates that the industry adopts the improved workflow, marketing, and sales tactics, and MBA is committed to hosting an educational series for mortgage providers. These offerings will foster partnerships between the GSEs, sister trade associations, housing counselors, real estate agents, and member companies. The educational series will cover:

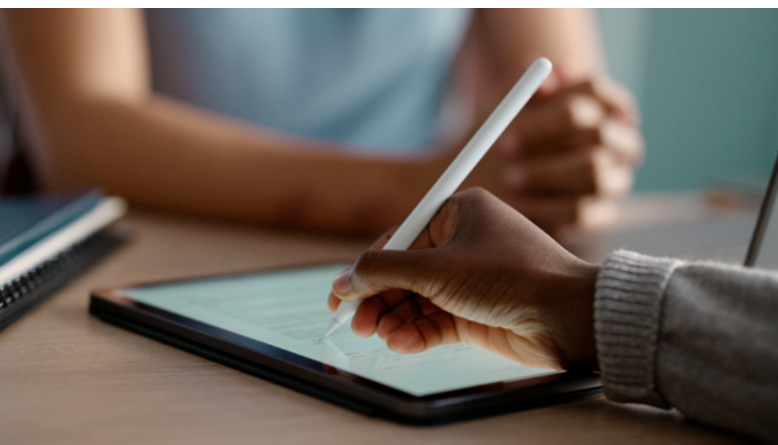
- Current GSE policy
- Lender adoption of digital verification
- Adjusting the lender workflow
- Changing loan officer behavior
- Identifying applicants most likely to benefit
- Housing counselor and Realtor® partnerships

GSE COLLABORATION OPPORTUNITIES

DIGITAL VERIFICATION

The key to the effective use of rental payment history in the application process is increasing lender adoption of digital verification of income and assets. According to Fannie Mae's National Housing Survey (Q1 2024), roughly a third (30%) of recent homebuyers were offered digital verification and agreed to its use. Nearly two-thirds (64%) were not offered the option, and only 4% were offered but declined the use of digital verification.² Importantly, the survey results demonstrate that when borrowers are made aware of the benefits of digital verification, most agree to engage in the process. MBA seeks updated data from Fannie Mae, and requests similar metrics from Freddie Mac. MBA believes lenders and the GSEs should partner on a specific goal to increase the rate of adoption of digital verification to 50% by 2028.

² [Fannie Mae — Survey of Recent Homebuyers on Digital Verification Technology \(August 2024\)](#)



AUTOMATED UNDERWRITING SYSTEM ENHANCEMENTS

Programs like Freddie Mac's AIM and Fannie Mae's Day One Certainty (D1C) already support and incentivize the use of bank statement data through VOA. MBA applauds the February 2025 Freddie Mac bulletin³ announcing that the Loan Product Advisor (LPA Choice) AUS has been enhanced to allow approved sellers to indicate in the submission when a borrower's rent payment history has been or can be documented. MBA supports this change as it will upgrade certain mortgages' risk classes from "Caution" to "Accept" in appropriate situations.

MBA encourages the GSEs to provide additional data on the aggregate number of borrowers whose risk classes can upgrade because of documenting positive rent payment history. Additionally, MBA urges the GSEs to explore the possibility of flagging individual potential borrowers in the AUS where the inclusion of rent payment history is the deciding factor in the approval. These data points will help lenders refine their marketing strategies to identify the types of applicants most likely to benefit from the use of rental payment history.

CONCLUSION

MBA strongly supports the existing guidelines allowing the use of positive rent payment history in underwriting mortgage eligibility. MBA shares the GSEs' goal of leveraging additional data sources directly tied to new homebuyers' ability to repay in order to approve more eligible first-time homebuyers.

In order for all stakeholders to achieve the goal of approving long-time renters using positive rent payment as a proxy for the ability to pay a mortgage payment, lenders need to commit to changing and improving their workflow by gathering as much bank statement data as possible during the first AUS run in order to better sharpen the feedback.

In coordination with the GSEs, sister trade associations, and member companies, MBA will launch an education series covering the use of positive rent payment history in the application process, how to optimize workflow, and expand adoption.

MBA requests collaboration from the GSEs to identify applicants most likely to benefit from the collection of rent payment history. Additionally, MBA seeks data indicators from the GSEs so lenders can refine their marketing to the customer.

³ [Freddie Mac Guide Bulletin 2025-1](#)

**THIS WHITE PAPER WAS PRODUCED THROUGH COLLABORATION BETWEEN
MBA STAFF, MBA'S AFFORDABLE HOMEOWNERSHIP ADVISORY COUNCIL,
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