



# Positive Rent Payment History in Desktop Underwriter

## Frequently Asked Questions

Updated Sept. 14, 2021

### General

**Q1. What is the “positive rent payment history” feature being added to Desktop Underwriter® (DU®) with the DU V. 11.0 September Update?**

“Positive rent payment history” refers to a new feature, effective Sept. 18, which will allow DU to use verification of asset (VOA) reports (i.e., bank statement data) to identify recurring rent payments to potentially enhance DU’s credit assessment of prospective, first-time home buyers. Read the [release notes](#) and [integration impact memo](#) for technical details.

**Q2. Why is Fannie Mae implementing this change?**

To help increase homeownership opportunities for borrowers, we are enhancing DU to consider a borrower’s positive rent payment history in the credit risk assessment. Limited credit history may disqualify many renters from homeownership — even those with stellar rent payment history. Conversely, studies of multiple rent reporting programs have shown that rent reporting typically increases credit scores, particularly for those individuals with limited or poor credit scores or those challenged with building credit. However, very few landlords report tenants’ rent payment history to credit bureaus, so most renters are unable to benefit from their history of regular rent payments to enhance their credit score.

Using rent payment history promotes a more inclusive credit evaluation, while ensuring safety and soundness. We believe this will increase the number of applicants—among those who consistently meet their rent payment obligations—who receive an Approve/Eligible recommendation in DU. This is one step in a series of efforts Fannie Mae is exploring to help expand sustainable homeownership opportunities for underserved populations and support a more equitable housing finance system.

For more background on how this initiative can help remove systemic barriers to mortgage finance and create a fairer housing market, [read our CEO’s Perspective Blog](#).

**Q3. What will DU consider a “rent payment”?**

For rent payments of \$300 or more per month, DU will attempt to identify consistent payment amounts from the 12 months of transaction data appearing on the VOA report obtained by the lender that align with the rent amount provided on the DU loan application (appears in “Section 1: Borrower Information” on the printed loan application).

**Q4. Can lenders be sure there is no negative impact to borrowers when using this feature? For example, if lenders observe that some rent payments are late or missing, does DU require that information be considered in its evaluation?**

This is a positive-only change. Rent payments absent from the asset report will not be counted against a borrower because DU cannot determine if payments were missed or if the borrower paid through a different method, such as cash, for a given month.



## Eligibility

### Q5. **What borrowers are eligible for this feature?**

To be eligible, a borrower(s) must:

- Be a first-time homebuyer purchasing a principal residence
- Have a credit score of at least 620 (nontraditional credit is not permitted)
- Have been renting for at least 12 months
- Have rent payments of \$300 or more per month
- Have bank accounts that document the most recent 12 months of recurring rent payments

### Q6. **Are there any restrictions for using this feature (i.e., may it be used with all loans, including HomeReady at 97% LTV)?**

There are no restrictions for using this feature other than the stated eligibility parameters.

### Q7. **Are there certain types of home buyers who would be more likely to benefit from this feature?**

First-time home buyers who have a limited credit history or a fair or poor credit score may be more likely to benefit from this feature.

### Q8. **Why is the feature restricted to first-time home buyers?**

First-time home buyers who have a limited credit history or poor credit score may be more likely to benefit from this feature. An individual is considered a first-time home buyer who (1) is purchasing the security property; (2) will reside in the security property as a principal residence; and (3) had no ownership interest (sole or joint) in a residential property during the three-year period preceding the date of the purchase of the security property. In addition, an individual who is a displaced homemaker or single parent also will be considered a first-time home buyer if he or she had no ownership interest in a principal residence (other than a joint ownership interest with a spouse) during the preceding three-year time period.

## Borrower Considerations

### Q9. **Will taking advantage of this feature impact a borrower's credit score?**

No. This feature will not impact a borrower's credit score, and the data will not be disclosed to external parties such as credit bureaus. Including rent payment data will only positively impact DU's credit risk assessment.

### Q10. **What action does the borrower need to take to complete the VOA report process?**

When the lender orders the asset report, the report supplier will send the borrower an email or link that directs the borrower to a secure portal where the borrower can log in and specify the bank accounts they need to use to generate the report. The borrower should select the asset account(s) from which rent payments are made.



**Q11. Does using this feature impact any other aspect of the borrower's application? (MI coverage, DTI, etc.)?**

No, using this feature does not impact any other aspect of a borrower's application.

**Q12. What is the potential cost to the borrower of a VOA report containing 12 months of asset data?**

Report costs vary depending on a lender's contract with a VOA report vendor. Fannie Mae takes no position regarding a lender's decision to pass on the cost of the VOA report to the borrower.

## **Lenders**

**Q13. How do lenders need to change their processes to implement this feature?**

- The lender must obtain at least 12 months of transaction history from an [authorized report supplier](#) during the application process. For most vendors, this requires ordering a 12-month VOA report. Lenders should work with their asset report supplier(s) to select the appropriate product to obtain 12 months of asset data.
- The lender must enter the monthly rent amount on the DU loan application.
- The lender should ensure that the rent payment entered into DU aligns with the withdrawal amounts in the VOA report.

**Q14. What DU messages will DU issue to inform lenders that this rent payment history feature was used or not used?**

DU will issue specific messages when:

- rent payment history is used; or
- an asset report is obtained, but not used, and why it was not used; or
- a VOA report was not obtained but the use of a VOA report with rent payment history could positively impact DU's recommendation.

**Q15. How does this feature differ from asset validation?**

- DU will use information from the VOA report containing 12 months of asset data (obtained through an [authorized report supplier](#)) to augment the borrower's credit assessment for the purpose of providing the lender an underwriting recommendation. Fannie Mae is not validating rent payments; instead, we will use the borrower's history of rent payments to factor into DU's credit risk assessment.
- If a VOA report containing 12 months of asset data is ordered and referenced in DU, then asset validation messages will appear, but DU will only look at the last 60 days of the VOA report in order to validate assets. When a 12-month asset verification report is ordered for positive rent payment history, lenders are responsible for reviewing only the most recent 60 days of account activity in accordance with the requirements in B3-4.2-02, Depository Accounts and B3-2-02, DU Validation Service.
- If DU can enhance a borrower's credit assessment from 12 months of VOA report data, it does not necessarily mean they receive asset validation, and vice versa.
- Unlike the validation of assets, DU is not validating the borrower's rent payment history. As with all loans eligible for the DU limited waiver of representations and warranties, the lender must



confirm the accuracy of the data submitted to DU (including the monthly rent amount provided on the DU loan application), and to confirm that the data that DU evaluated with respect to the borrower's credit history was accurate and complete.

**Q16. What if the borrower does not make the recurring payment directly to the landlord (e.g., pays a roommate, family member, etc.)?**

DU will look for evidence of consistent payments (amounts) on the VOA report to use rent payments to enhance the borrower's credit assessment. DU will not factor in the recipient of the rent payments in its assessment. The rent payment can be made via check or electronically (via a company's payment portal or other digital payment solution like Venmo, PayPal, Zelle), but it must appear in the payment history of the borrower's account contained in the VOA report.

**Q17. What if a borrower splits payments over the month?**

DU will look in the VOA report for regular debits that align with the rent amount reported on the DU loan application. If a borrower pays twice a month, for example, DU will attempt to aggregate the observed debits to a monthly amount to compare to the rent reported in DU.

**Q18. Can a lender use the same VOA report for asset validation through the DU validation service and for rent payment data?**

Yes, the same VOA report may be used, provided 12 months of account activity is obtained. If the report expires prior to closing and must be updated to retain asset validation, the lender must order a new asset report with 12-months of data. Rep and warrant relief will only be given for assets that are validated by the DU validation service. Any updated VOA reports must contain the account(s) from which rent is paid in order for DU to assess the rent payment.

**Q19. What does a lender need to do if they originally ordered a 60-day VOA report, but received an underwriting recommendation that was not Approve/Eligible and a DU message indicating that the casefile could receive a more favorable recommendation if the borrower's rent payment history is considered?**

To include rent payment history in the credit assessment, the lender needs to order an asset report that provides 12 months of data. If a Reference ID for a 60-day VOA report was provided in a prior submission to DU and the lender now wants to update it to a VOA report that provides 12 months of data, the lender will need to provide a new Reference ID for the updated report and resubmit the casefile to DU.

**Q20. If a lender orders a VOA report containing 12 months of asset data, are they required to review all the transactions over the full 12 months in the report to check for large deposits?**

Lenders are required to look back only 60 days in the borrower's bank statements for large deposits, even if a 12-month report is ordered. The DU validation service will only consider 60 days of account activity for purchase transactions. The additional 10 months of account activity will only be used to assess rent payments.

**Q21. If a lender does not have a relationship with an authorized report supplier, what do they need to do to be able to implement this feature?**



Lenders can choose to receive verification reports from an [authorized report supplier](#) that offers asset reports with 12-months of data. To help decide which supplier is right for their organization, lenders may consider suppliers that integrate with their current LOS and/or POS and what white-labeling capabilities are available for their VOA report borrower-facing process. It is the lender's responsibility to negotiate fees, ensure appropriate SLAs are part of contracts, and complete all contracts and activation steps with the report supplier.

**Q22. Will DU identify late payment history on the borrower's rent payments?**

Late payment detection for rent payments will not be provided by DU.

**Q23. How long will the VOA report be valid before it needs to be reordered?**

The VOA report has a four-month expiration timeframe, which is the same for credit reports.

**Q24. Will you disclose to MBS and CRT investors when rent payment history is used in the borrower's credit assessment or which lenders are using this feature?**

No, Fannie Mae does not have plans to disclose when rent payment history is used in the borrower's credit assessment or which lenders are using this feature.