Freddie Mac Announces Underwriting Innovation to Help Lenders Qualify More Borrowers for a Mortgage

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Industry-First Capability Will Also Help Lenders Qualify More First-Time and Underserved Borrowers

MCLEAN, Va., Oct. 17, 2022 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) will increase homeownership opportunities by including a review of a borrower's bank account data to identify a history of positive monthly cash flow activity as part of its technology's loan purchase eligibility assessments, the company announced today. This industry-first innovation will be available to mortgage lenders nationwide through Freddie Mac's automated underwriting system, Loan Product Advisor® (LPA℠), beginning November 6, 2022.

"With the addition of positive monthly cash flow data, our underwriting system can help with more accurately predicting a borrower's ability to pay their mortgage because it uses a comprehensive view of how personal finances are managed over time," said Terri Merlino, Freddie Mac Single-Family senior vice president and chief credit officer. "Our latest innovation levels the playing field and helps make homes more accessible to borrowers whose lenders might not have qualified them with traditional methods of underwriting. This should particularly help first-time homebuyers and underserved communities."

With the borrower's permission, lenders and brokers can submit financial account data for LPA to identify 12 or more months of cash flow activity for inclusion in the tool's risk assessment. Data can be obtained from checking, savings and investment accounts, including those used for direct deposit of income and monthly bill payments, such as rent, utilities and auto loans. The account data submitted can only positively affect the borrower's credit risk assessment. To help identify opportunities, LPA will notify lenders when submitting additional account data could benefit a borrower.

Lenders and brokers can obtain the financial account data from designated third-party service providers using the same automated process they currently use to verify assets, income (using direct deposit), employment, and on-time rent payments via a single report through LPA's asset and income modeler (AIM).

Working alongside our industry partners, we have made significant progress toward modernizing the mortgage origination process," said Kevin Kauffman, Freddie Mac Single-Family vice president of client engagement. "In the current market, our latest industry-leading innovation delivers lender efficiencies that can lead to cost savings and improvements to the borrower experience, while meeting Freddie Mac's strong credit underwriting standards."

Initial service providers supporting Freddie Mac's LPA borrower cash flow assessment include Blend, Finicity (a MasterCard company), FormFree and PointServ. Freddie Mac's privacy policy is available online.

To learn more, visit the AIM webpage.

About Freddie Mac
Freddie Mac makes home possible for millions of families and individuals by providing mortgage capital to lenders. Since our creation by Congress in 1970, we've made housing more accessible and affordable for homebuyers and renters in communities nationwide. We are building a better housing finance system for homebuyers, renters, lenders, investors and taxpayers. Learn more at FreddieMac.com, Twitter @FreddieMac and Freddie Mac's blog FreddieMac.com/blog.

MEDIA CONTACT: Chad Wandler
703-903-2446
Chad_Wandler@FreddieMac.com