

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE RESOLUTION No. 47

STATE OF NEW JERSEY

DATED: JUNE 9, 2022

The Senate Commerce Committee reports favorably Senate Resolution No. 47.

This Senate resolution urges Congress to pass legislation requiring mortgage lenders to consider rent payments when determining people's credit worthiness.

When most people purchase a home, money in the form of a mortgage is borrowed for the purchase from a bank, but many lower-income people who rent homes in New Jersey are disqualified due to lack of credit history. Despite little or no credit history, many renters in the State have demonstrated their creditworthiness by consistently paying rent to landlords every month.

Fannie Mae, a federally backed institution that buys mortgages from banks and other financial institutions that underwrite mortgages, has begun to count certain people's rent payments when making underwriting decisions.

Data from Fannie Mae shows that 17 percent of people who have not owned a home in the previous three years and would not have previously qualified would qualify if rental payments were considered on mortgage applications. Of those 17 percent, many are people of color who have limited credit histories, and who have been shut out of the housing market for a variety of reasons.

Though Fannie Mae is taking a step in the right direction, many other institutions who extend mortgages do not take rent payments into account when determining a person's creditworthiness. New Jersey is limited in its ability to require mortgage lenders to consider rent payments when making determinations on applicants by federal law that preempts State regulation.

If Congress takes action to require more mortgage lenders to account for rent payments when making decisions on whether to extend credit to a person who wants to buy a home, it will enable more people to own their own homes.