

## GSEs focus on increased affordability efforts, risk concerns

Affordability initiatives, including special-purpose credit programs, and risk management are at the forefront of both government-sponsored enterprises' priorities as the year ends, leaders said at the Mortgage Bankers Association annual convention in Nashville on Monday.

Following the [announcement of Freddie Mac's intent](#) to offer a special-purpose credit program aimed at increasing homeownership in the Black population, Fannie Mae Interim CEO David Benson said his organization had recently introduced a similar pilot in six cities: Atlanta, Baltimore, Chicago, Detroit, Memphis and Philadelphia. The program is intended to measure ease of use and iron out potential problems lenders might encounter with SPCPs.

"We're testing things like down payment assistance, closing costs, appraisal. We're trying to kind of see what works, both in terms of how borrowers take up on these pilots and what happens," Benson said.

Michael DeVito, Benson's counterpart at Freddie Mac also said his agency would support the growth of SPCPs with lenders and expedite the review of newly created programs to determine whether loans originated through them could ultimately be bought by the agency.

Consideration of alternative criteria, including [household cash flow](#) and history of rental payments, are also set for further development, having proven their value toward opening up opportunities to new home buyers, the two leaders said.

"Over the last year we've had 100,000 families have their rent reported for the first time, DeVito said. "So 20% of those now having rent reported have scores for the first time — they didn't have a FICO score before."

Among those who previously had scores, two-thirds went up by 40 points when rental payment were included, DeVito added.

Cash flow underwriting, particularly, is "where the future lies to credit qualify a lot of folks you wouldn't necessarily be able to capture," DeVito said.

While privacy issues and protections will need to be addressed, the data science is ready for increased uptake of newer criteria. "I think that this is going to be the space of innovation that we will be working with," Benson said.

At the top of the list of priorities at the GSEs, though, is mitigation of market risk, given the year's rapid changes in interest rates and housing market conditions. Both Benson and DeVito highlighted their agencies' concerns about liquidity risks, [underscoring ongoing efforts made](#) by the Federal Housing Finance Agency this year to address them, which have received their [share of pushback](#) .

"We're buying billions of dollars in order to guarantee and we're buying from thousands of sellers," DeVito said. "That counterparty risk management evaluation becomes very important."