New Credit Scoring Rule Could Help Renters Buy Their First Homesâ€”But Risks Remain

July 14, 2025 - In a major change that could help millions of renters become homeowners, the federal government has just approved a new credit scoring system that counts rent and utility payments toward qualifying for a home loan. The announcement came last Tuesday from Bill Pulte, Director of the Federal Housing Finance Agency (FHFA). He explained that two of the nationâ€™s biggest mortgage backersâ€”Fannie Mae and Freddie Macâ€”will now allow lenders to use a newer credit scoring system called VantageScore 4.0 when deciding who qualifies for a home loan.

This new score counts monthly rent payments, cellphone bills, and utility paymentsâ€”things traditional credit scores usually ignore. For first-time homebuyers whoâ€™ve rented for years but donâ€™t have much credit history, this change could be a gar changer.

â€œIf youâ€™ve been paying your rent on time, that can now help you qualify for a mortgage,â€• said Pulte. â€œThis opens the homeownership for many Americans whoâ€™ve been locked out of the system.â€•

For years, banks have used the FICO credit score to decide who gets a loan and at what interest rate. But FICO often overlooks people who havenâ€™t borrowed money beforeâ€”even if theyâ€™ve been reliably paying bills. VantageScore 4.0, by contrast, can generate a score for people with as little as one month of payment history, giving renters and others without extensive credit files a real shot at getting approved for a home loan.

Experts say this could help as many as 5 million Americans, especially young renters, low-income families, and veterans, who often struggle to build traditional credit.

But there are downsides. While counting rent payments might help some qualify, banks are also taking on more risk. Paying rent on time doesnâ€™t always guarantee a borrower can handle the long-term responsibility of a mortgage. Thereâ€™s concern that this change could lead to loans being granted to people who might default later.

At this point, it is unclear if banks will jump on board with the new system. Even though Fannie Mae and Freddie Mac now allow the new score, most lenders rely on FICO scores. They may be uncomfortable jumping into the new scoring system and, even if they want to participate, will likely need some time to update their systems and train staff.

The change comes at a time when buying a home feels out of reach for many. Mortgage rates remain high, home prices have soared in recent years, and a shortage of affordable homes has left first-time buyers frustrated.

In short, this new rule wonâ€™t help everyone and it will take some time for it to have an impact but for those dreaming of owning their first home, paying your rent on time just became more important than ever.
by Jim Malmberg
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