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Up Front

Mortgage applicants with scanty credit histories, "thin files" in banker lingo, are typically shunted into subprime, or riskier, loans with superhigh interest rates. The hefty monthly payments can leave these homebuyers so strapped that they wind up in default.

Now a corporate partnership is building on the work of a nonprofit housing group to help more thin-file families get lower-priced loans. The idea is to grant mortgages based on credit factors that are currently ignored--a history of on-time payments for rent, utilities, insurance, or child care.

The nonprofit Neighborhood Housing Services of America has arranged such loans for about 25 years. But its program has been small: The process wasn't automated, and the costs were high. Enter First American Corp. ([FAF](#)), which recently distilled NHSA's lending practices to create Anthem, a fast, automated credit-scoring system for thin-file applicants. Already, the company says, it has compiled a directory of more than 200 certified loan officers that use Anthem in granting mortgages.

On Oct. 24, State Farm Group announced it would buy up to \$100 million worth of such mortgages. The hope is that once the new system shows thin-file loans to be good business, mainstream lenders and mortgage buyers like Fannie Mae and Freddie Mac will dive in.

By Peter Coy