



# Enterprise Credit Score and Credit Reports Initiative

## Partner Playbook

March 2023

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This playbook will be updated at least quarterly with new and refreshed content.

## Introduction

This playbook is designed to help industry partners prepare for and adopt the multiyear, Freddie Mac and Fannie Mae initiative to update the current credit report requirements for mortgage eligibility and the current credit score model. It will provide information about how industry partners can benefit from this initiative, timelines and roadmaps to keep them on track for building to or implementing updates, and additional resources to learn more along the way.

This work will take place in two phases:

- Credit report requirements changes.
- Credit score model updates.

As we get closer to the implementation dates, we'll update this playbook at least quarterly to provide new or refreshed FAQs, links to additional resources and training opportunities, and more. So, check back often.



## What is the Credit Score and Credit Reports Initiative?

It's a two-phase, multiyear effort to update the current credit reporting requirements and to replace the existing credit score model used for loans sold to Freddie Mac and Fannie Mae. Freddie Mac and Fannie Mae are doing this work with input and feedback from industry stakeholders.



### Credit Report Update

The longtime Freddie Mac and Fannie Mae requirement known as “tri-merge” to obtain three credit reports for each borrower on a loan will change to require only two credit reports per borrower (“bi-merge”).

### Credit Score Models Update

Freddie Mac and Fannie Mae will require lenders to deliver credit scores based on the new FICO® Score 10 T and VantageScore® 4.0 rather than Classic FICO.

## How Does This Initiative Support Sustainable Homeownership?

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OVERALL BENEFITS



Fosters competition among credit bureaus.



Responsibly increases access to credit.



Both new models provide more precise assessments of credit risk than the current model.



Both new models consider trended data and new payment history (e.g., rent, utilities and telecom payments) when available.

## Industry Engagement

Freddie Mac and Fannie Mae are working together to conduct industry outreach to gather both feedback and questions about these updates. While Freddie Mac and Fannie Mae will conduct targeted outreach to lenders, technology software providers, investors, and other stakeholders, we invite feedback from all industry stakeholders via the survey through May 31, 2023. The survey allows for free-form feedback and document upload.

This playbook contains information about the scope of this project and the timeline. Your feedback is vital in helping to inform decisions around the implementation of these changes and to ensure a smooth transition to the new credit report requirements and score models.

[Click Here to Provide Feedback](#)



## Proposed Implementation Timeline

2Q 2023

- Industry feedback kickoff

4Q 2023

- Publish Classic FICO historical data to support change in credit score calculation (“tri-merge” to “bi-merge”)

1Q 2024

- Implement credit report requirements update (“tri-merge” to “bi-merge”)

3Q 2024

- Lenders deliver FICO Score 10 T and VantageScore 4.0 credit scores in addition to Classic FICO credit scores
- Enterprises update MBS/CRT disclosures to include FICO Score 10 T and VantageScore 4.0

1Q 2025

- Publish FICO Score 10 T and VantageScore 4.0 historical data to support credit score model updates

4Q 2025

- Incorporate credit score model updates into mortgage processes

## FAQs

### **Q1: Why are the FHFA, Freddie Mac, and Fannie Mae undertaking this initiative now?**

A: For nearly 20 years, Freddie Mac and Fannie Mae have required credit scores based on the Classic FICO model. In 2014, the FHFA, Freddie Mac, and Fannie Mae began an effort to modernize the credit score model requirements and in 2018, Congress required the FHFA to create a process for validating and approving credit score models. The validation and approval of FICO Score 10 T and VantageScore 4.0 is the result of a lengthy effort by the FHFA, Freddie Mac, and Fannie Mae to further support accuracy, innovation, and inclusion in credit score models used by the companies.

### **Q2: What are the risks and benefits of moving from “tri-merge” to “bi-merge” credit report requirements?**

A: This change to Freddie Mac and Fannie Mae’s credit report requirements is expected to streamline the credit report process and encourage innovation, without introducing additional risk to organizations.



## FAQs

### **Q3: What are the benefits of FICO Score 10 T and VantageScore 4.0?**

A: Lenders, investors, and other industry stakeholders, as well as borrowers and first-time homebuyers, can expect more inclusive credit scores as well as enhanced safety and soundness for the housing market.

FICO Score 10 T and VantageScore 4.0 are more predictive than Classic FICO and provide a more precise assessment of credit risk than the current model. Also, both models consider trended credit data and additional data such as rent, utilities, and telecom payments that are not currently considered as part of the Classic FICO score.

Both Freddie Mac and Fannie Mae already consider trended credit data and rental payments when available in their automated underwriting systems' comprehensive risk assessments for mortgage eligibility recommendations.

## FAQs

### **Q4: Will moving from tri-merge to bi-merge require updated guidance to lenders on how to calculate the borrower Indicator Score (Freddie Mac) or Representative Credit Score (Fannie Mae)?**

A: Yes, guidance is being developed and will likely follow from FHFA's decision making on a recently issued [Notice of Proposed Rulemaking](#) from February 23, 2023, that would amend several provisions of the Enterprise Regulatory Capital Framework. The proposal would modify the current procedure for selecting representative credit scores on single-family mortgage exposures for the purposes of minimum risk-based capital requirements.

FHFA's proposal indicates that modifications would position the Enterprises' capital requirements to account for the transition from the tri-merge to the bi-merge upon implementation. Industry stakeholders can provide [comment](#) on the proposed Rule by May 12, 2023.

## FAQs

### **Q5: How will the tri-merge to bi-merge credit report update impact pricing for loans?**

A: The impact on pricing will be assessed following updated guidance to lenders on how to calculate the borrower Indicator Score (Freddie Mac) or Representative Credit Score (Fannie Mae).

### **Q6: Will lenders be allowed to pull three credit reports on a borrower and then select the highest two of the three scores?**

A: No. Lenders will be directed that if three credit reports are obtained, all three must be delivered.

### **Q7: Will lenders be permitted to choose which two credit reporting agencies will be used for the new bi-merge option?**

A: Yes, as is current practice, lenders may choose which credit reporting agencies they do business with.

## FAQs

### **Q8: Will LOS vendors and other technology service providers update their systems to incorporate the changes?**

A: Yes. Technology service providers will be expected to update their systems to meet Freddie Mac's and Fannie Mae's published specifications updates, policy changes, and required dates set forth in their respective Freddie Mac *Single-Family Seller/Service Guide* and Fannie Mae *Selling Guide*.

### **Q9: When will FICO Classic scores stop being reported and ultimately retired?**

A: Freddie Mac and Fannie Mae will require Classic FICO reporting for the near-term. Mortgage market participants will be given significant lead time before the retirement date of Classic FICO when the new FICO Score 10 T and VantageScore 4.0 score models are more fully implemented.

### **Q10: How can industry stakeholders provide feedback?**

A: Stakeholders are invited to complete a brief industry engagement [survey](#). Additionally, the Enterprises will be reaching out to stakeholders at various stages of this initiative with additional information to help ensure a smooth transition as well as to gather feedback.

Stakeholders may also provide comments regarding the credit score calculation for Enterprise capital requirements during the open comment period for the FHFA's [Notice of Proposed Rulemaking](#).

## Implementation Roadmaps (Coming Soon)

We'll provide detailed implementation roadmaps and checklists to help industry participants (lenders, software providers, capital markets, and mortgage insurers) prepare as we get closer to the implementation date.

Check back later for updates.



## Resources and Training (Coming Soon)

We'll provide links to training opportunities as we get closer to the implementation date.

Check back later for updates.

